THE MAGAZINE OF WALL STREET

JANUARY 10, 1931

Rebuilding Your Principal in 1931 Markets

By W. R. SMITH

Gold and Gold Requirements in Close Race

By LOUIS T. McFADDEN

Chairman, House of Representatives Committee on Banking and Currency

The 10 Outstanding Investments For 1931

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WITH THE EDITORS

An Investor's Resolutions For 1931

1. In the purchase of securities or in the appraisal of any of my present holdings, I will give careful consideration to the industrial background of the issue, recognizing not only the trend of the industry but the companies' position therein.

2. I will make a thorough examination of the financial position of any companies in whose securities I am interested.

3. I will consider management of prime importance in my investment selections.

4. I will maintain a suitable degree of diversification both as to industries and types of issues in my holdings.

5. I will give more than usual attention to the matter of yield on my investments, not only because a fair return can now be obtained but also because I realize that in the slowly recovering business of 1931 it may be necessary and desirable to hold the majority of my securities over a considerable period of time.

6. I will abstain from impulsive buying on tips of well-meaning friends and so-called inside information.

7. I will maintain a reasonable percentage of bonds and stocks of the highest investment caliber as the backlog of my portfolio.

8. I will never dispose of my investment holdings in favor of speculative issues.

9. Such speculative commitments as I may make will be under constant scrutiny and will be sold as soon as their outlook is clouded with uncertainty.

10. I will recognize 1931 as a year of investment opportunity, in which, by judicious employment of my funds, I may recover losses sustained in 1929 and 1930 and establish the foundation of my financial independence in years to come.

The National City Bank of New York

including

Domestic and Foreign Offices

CAPITAL, SURPLUS and UNDIVIDED PROFITS
$224,554,298.54

Condensed Statement of Condition as of December 31, 1930

ASSETS

Cash in Vault and in Federal Reserve Bank	$169,860,333.15	
Due from Banks and Bankers	221,357,472.53	$ 391,217,805.68
Loans, Discounts and Bankers Acceptances		1,015,388,385.68
United States Government Bonds and Certificates	$177,466,655.15	
State and Municipal Bonds	21,973,495.01	
Stock in Federal Reserve Bank	6,600,000.00	
Other Bonds and Securities	82,047,733.70	288,087,883.86
Ownership of:		
International Banking Corporation		8,000,000.00
Bank Buildings		52,347,936.90
Items in Transit with Branches		33,845,489.46
Customers' Liability Account of Acceptances		148,092,023.59
Other Assets		7,264,997.67
Total		$1,944,244,522.84

LIABILITIES

Capital	$110,000,000.00	
Surplus	90,000,000.00	
Undivided Profits	24,554,298.54	$ 224,554,298.54
Reserves for:		
Contingencies	$ 8,495,846.34	
Accrued Interest, Discount and other Unearned Income	4,203,167.73	
Taxes, Dividends and Accrued Expenses, et cetera	9,933,491.17	22,632,505.24
Liability as Acceptor, Endorser or Maker on Acceptances and Foreign Bills		237,026,383.05
Deposits		1,460,031,336.01
Total		$1,944,244,522.84

Figures of foreign offices which are included herein are as of December 24, 1930.

Head Office:
55 Wall Street
New York

City Bank Farmers Trust Company

(Affiliated with The National City Bank of New York)

Head Office* - 22 William Street - *New York

Condensed Statement of Condition as of December 31, 1930

ASSETS

Cash and due from Banks and Bankers	$38,904,634.39
Loans and other Secured Advances	7,761,742.94
United States Government Bonds	5,200,000.00
Other Bonds, Mortgages and Securities	14,467,253.09
Real Estate Owned	5,000,000.00
Other Assets	3,417,750.00
Total	$74,751,380.42

LIABILITIES

Capital	$10,000,000.00
Surplus	10,000,000.00
Undivided Profits	2,894,776.04
Deposits	49,216,358.06
Reserves for Dividends, Interest, Taxes and Expenses	2,640,246.32
Total	$74,751,380.42

Investment and Business Trend

Looking Forward—Commodity Prices—Are Dividends Protected—Uniform Reports—A Lesson to Corporation Directors—The Market Prospect

LOOKING FORWARD

AN eminent industrial research engineer makes the point that our attitude toward the question of unemployment and the tendency to find a permanent solution in creating more jobs through shortening the working time should depend on whether we assume that the United States has become static. If this country has reached the limit of economic expansion and will hereafter have a fixed volume of wealth to divide each year the only thing to do is to pass the jobs around by shortening the working time. If population should continue to increase—as it will for some years—that means less for each worker, and a recession in the standard of living. Of course, the United States is not going to quit growing just because it has found out how to grow faster in some respects than in others. We are half way in the solution of the economic problem. We have learned how to produce abundantly. The rest is merely a trading problem. It will be progressively settled, making it certain that from a material point of view the Golden Age is ahead of us. Its coming will be hastened by the virtual stoppage of immigration and the declining birth rate. Working hours will be shortened, but not to make jobs. Rather it will be to enjoy leisure and facilitate the distribution of the products of labor. The overproduction that worries us so much is merely a sign that we are on the threshold of the era of plenty, to which the sons of men have ever looked forward.

COMMODITY PRICES

THE descent of wholesale prices for materials and food products is of course no new development. For several years, if one considers the major swings, commodities have been falling, but until last year the decline had been orderly and gradual. Then with the overproduction of 1929 the rate of descent was accelerated and ruthlessly reached all industry. Last summer came the hope of respite. For three consecutive months, July, August and September, commodity prices gave signs of stabilizing, then, just as business men were being lulled into a sense of new security came the drops of the ensuing months, to contribute to the general apprehension over the business prospect. Of course, it is not the level of commodity prices which is of paramount importance or concern. Stability at low levels is relatively as satisfactory as at higher ones. It is the irregular declines and continued readjustments which disturb business equanimity. Three months of comparative stability gave promise of a new bottom and buying was becoming more confident when news of world supplies and an

all-pervading fear psychology sent October and November prices into new low territory.

Recently, however, there appears some ground for believing that another period of stability, of perhaps extended duration, is in the making. With some notable exceptions raw material stocks are being reduced by consumption and limited output, and a buying wave based on sheer necessity should ensue shortly after the inventory period. This will be further helped by the demands for many materials arising from the extensive Federal and local government construction programs.

TWO PER CENT MONEY—NO TAKERS

THE darkest moment in business depressions, like the darkest hour of the night, is just before dawn. The indicator of this darkest moment is held to be the interest rate. It seems justifiable to assume that we shall not see the Federal Reserve Bank of New York shave anything from the record-low rediscount rate of 2 per cent now in effect. Darkness does not make dawn but it is permissible to assume that significant business developments hereafter will be of a luminous rather than a darkening nature. It may be a considerable time before any noticeable renewal of business activity follows the announcement of the lowest rate the Federal Reserve System has ever known. But merely as a gesture of assurance and confidence it will have far-reaching effects. It cannot be denied that the numerous bank failures, even though most of them are small and none have a critical relation to the nation's financial system, have had the deplorable result of strengthening fear as a factor in business management. Two per cent money for the banks at the nation's great central bank will be a mighty assurance that every sound bank in the Second Reserve District will have access to abundant cash should it be called upon to meet an abnormal demand from depositors. The New York Reserve Bank's course will enable member banks to strengthen their cash position without unduly withholding loans, a practice which explains the coincidence of cheap and scarce money. A bank is a business institution, and rightly follows nature's first law of preservation, but when banks forego profit to assure safety their contraction of their own business necessarily extends to that of their clients. In the present temper of the business world it is too much to hope for even a 2 per cent rediscount rate to be tonic but it is certainly a cause for renewal of hope and a revival of confidence.

ARE DIVIDENDS PROTECTED?

EVEN in the face of adverse business conditions of 1930 the total of corporate dividends paid comes to 4,982 million dollars, compared with 4,488 in 1929. Truly a remarkable showing. One point, however, should be borne in mind before attaching too much future significance to this gain and to what it implies for the individual corporations whose payments comprise it. At the beginning of the year the depression was commonly envisaged as of short duration, 1929 profits were generous, surpluses large and dividends were maintained in the expectation of good earning power in later months. When the full duration of the down swing became apparent in the second half, corporate directors in many cases went to great lengths to avoid reductions and to at least complete the year on a regular basis to sustain public confidence. The new year, therefore, will necessarily witness numerous readjustments. Even though business recovers as expected, progress will necessarily be slow and the cumulative effects of some artificially sustained rates will necessitate reductions in line with current earning power. Particularly will this be true in slowly recovering industries such as the railroads, oils and others. Meanwhile yields calculated on the basis of present dividends and prices appear highly attractive, as indeed they are; but it will be the part of wisdom before making actual commitments to scrutinize earnings, current and prospective, to make sure that dividends are amply protected.

A LESSON TO CORPORATION DIRECTORS

AS we interpret it, Judge Jenkins' decision in the Bethlehem - Youngstown merger case is a victory for every investor in America. The merits of the proposed merger are not at all involved in this decision. It is, rather, an ethical judgment. It summons directors of every corporation everywhere to faithful observance of their fiduciary relations to each other and the shareholders. It declares the primary principle, resting on common morality, that shareholders must be fully informed of all the facts bearing on a question that is submitted to them. It lays down the law that no clique of directors can negotiate and put over without the knowledge of other directors such a fundamental transaction as the sale of the entire assets of the corporation. Moreover, accountants' reports must not mislead shareholders, whether by withholding such a "detail" as that officers are receiving bonuses approximating $4,000,000 a year, or dressing up the general aspect of a proposed transaction. We would not give the impression that the Youngstown directors who favored the merger are more culpable than directors of other corporations. They have followed a bad tradition, which has gradually grown up in American corporations that the supposed or actual "control" can assert its power with ruthless disregard of the means. Judge Jenkins' decision will tend to bring all directors back to an understanding of their obligations to each other and the shareholders.

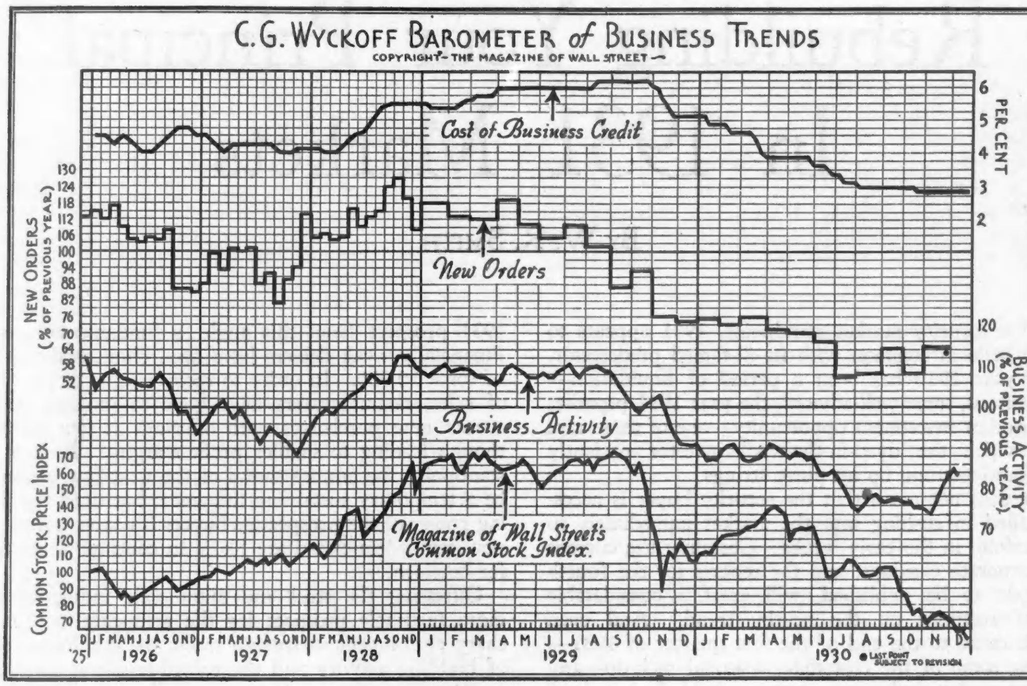
THE MARKET PROSPECT

THE current and prospective trend of the stock market is fully discussed on page 344. Readers are reminded that our latest market advices appear in every issue in the Market Prospect or in the leading market article.

Monday, January 5, 1931.

Taking the Pulse of Business

Current Hesitation Should Give Way to Gradual Improvement as New Year Advances



NEARLY all economists agree that the recovery of business after nearly seventeen months of decline will be exceedingly gradual. Particularly will this be true of its early phases. As the barometers show, progress as the year opens is not greatly marked nor does it display that uniformity that would give greatest assurance of immediate improvement. Although indications of long range betterment are not lacking some continuance of hesitancy and caution is still currently suggested. This is especially notable in the behavior of the common stock price index, which, although undoubtedly influenced by tax selling and some enforced liquidation in the closing weeks of the year, nevertheless, has drifted down to bottom levels through the failure of bankers and corporate leaders — those closest to real conditions of the business with which they are associated — to evidence sufficient faith in the nearby outlook to institute any aggressive buying policy.

The business activity curve continues to offer encouragement in its reflection of a somewhat faster pace for certain lines, which is reasonable when it is recognized that while steel operations, car loadings, coal, lumber and electric power output are lower, their descent during recent weeks has been less precipitate than it was after the stock market crash last year. In addition the gross volume of trade as represented by check payments and money in circulation have experienced more than seasonal increase. The net outcome of these developments has brought about a retardation in the rate of recession which has manifested itself in a gain in the business activity barometer. Moreover, this gain is substantially supported by the recent rise shown in the volume of new orders. This is a definite indication that industry is meeting or anticipating an increasing demand for goods. If this new order volume continues to gain we shall be sure of a sound foundation for the expected recovery of business. Such a movement should be helped by the lower rediscount rate and the ease of funds suggested in the recent confident gesture of the Federal Reserve Bank which will facilitate buying operations. A bulge in interest rates has been forestalled, the bond market has been strengthened and the long range outcome should prove stimulating to industrial progress as the new year advances beyond the trial period of its early weeks.

¶ *The New Year is One of Investment Opportunity.*

¶ *Extra Caution and Discrimination Essential, However, as Market Meets Critical Period Prior to Major Uptrend.*

Rebuilding Your Principal In 1931 Markets

By W. R. Smith

FROM a security market standpoint, 1931 appears to offer little in common with its ill-famed predecessor. The year 1930 has been a period of liquidation—some necessitous, some well-advised; the year 1931 promises to be a period of investment opportunity—one of those rare occasions which the dyed-in-the-wool investor patiently awaits before loosening up his purse strings.

But this does not mean that the security buyer is necessarily justified in rushing into the market immediately to fill his portfolio in the early weeks. Certainly the current level of corporate earnings, and the reports for the fourth quarter soon to be published, will exert a considerable amount of restraint on the nearby trend. And even if we look ahead to the end of the first quarter of 1931—anticipating some of the customary seasonal pick-up—any occasion for market enthusiasm must inevitably be tempered with knowledge that world economic conditions have yet to demonstrate a fundamental turn for the better. These are not qualifications of the year's outlook, but merely recognition of current facts.

It is true that popular psychology at the beginning of any new year envisages better times at once, and a market rise of some proportions is usually to be expected. Indeed it is manifesting itself as this is written, but too much faith cannot be put in its duration. There are yet certain factors to be weighed and market tests to be passed before a genuine uptrend can be recognized as established.

First Quarter Factors

Normally, the market can count upon a gradual pick-up in the steel centers after the turn of the year, some let-up in February, and a more energetic revival starting in March and extending possibly through to May. This year should prove no exception, if the needs of industry in general, which has starved itself in its requirements for the past twelve months, are to be met.

And then again, there is the wave of automobile sales enthusiasm engendered by the annual shows in the leading cities, with their attendant stimulation of activity in the Detroit and other automobile production centers. The year 1930 has registered a black mark upon the brilliant record of the automobile industry. But not all has been lost. Stocks in the hands of dealers are abnormally low, and the 1931 prospect from this angle is fundamentally sounder. Financially weak dealers have been eliminated to the tune of some 10,000. In order to recover some of the huge loss of sales, manufacturers have gone to unusual lengths to attract new purchasers with offerings at low prices, even though leading to smaller profit margins. From a market standpoint the annual shows of the next few weeks should be a temporary sustaining influence; but until the purchasing power of the prospective buyers is nearer normal, actual new car orders closed are likely to continue to be few and far between.

Offsetting the steel and automobile industries' slightly more favorable prospect for the next few months, is the sharp curtailment in foreign trade, the continued low level of building activity and the record-breaking price declines in the commodity markets—especially in agricultural products. And in addition, we must not overlook the recent failure of negotiations leading to a much needed settlement of the sugar industry's problems. These things, of course, have already been recognized in current prices; nevertheless, the months of January and February are customarily periods of irregularity and uncertainty in the security markets—and 1931 at present indicates little or no variation from the customary course of events in this respect, although at present low levels, the aspect of things is subject to quick changes.

Rail Consolidation Plan Constructive News

The announcement by President Hoover of agreement between the managements of the Pennsylvania, Baltimore & Ohio, Nickel Plate and the New York Central on a new merger plan is certainly news of a constructive nature marketwise. After the nervous short interest has run to cover at the first announcement, the real underlying significance of this merger announcement will be more evident. From a market standpoint, it should also be favorable for the railroad equipment companies, the steel industry and others that will benefit by the release of orders temporarily held up pending the outcome of these negotiations.

No plan, however, can be expected to become an actuality for some time to come—if we may judge from the customary slow moving mechanism of the courts and the

Interstate Commerce Commission. The chief influence marketwise in the next sixty days will probably be psychological—registered in the more favorable attitude of investors toward railroad shares in general, and less inclination to dump them overboard in wholesale fashion, as has been the tendency in recent months. But the actual physical progress of the merger plan gives indication of being slow in measuring up to the rosy pictures currently implanted in the minds of the public.

Federal Reserve Lets Down The Bars

The recent announcement by the N. Y. Federal Reserve Bank of a reduction to the 2 per cent level in its rediscount rate is, after all, the most significant bit of investment news in many months. It amounts to an "open-door" policy on credit for legitimate business expansion. Undoubtedly, as in the past, the invitation to utilize the non-working billion dollars of Federal Reserve funds to turn the tide of industry and business will not be accepted by the average firm until daylight has filtered through some of the present business fog. It never is; and yet this timely and shrewd move on the part of Federal Reserve Board constitutes, in our opinion, one of the most basic and important constructive aids to both industry and the security markets.

Turning the calendar back to the late Summer of 1929, when bullish enthusiasm reigned supreme, investors will clearly recall the utter lack of respect that the market temporarily paid to the increase from 5 to 6 per cent in the rediscount rate of the same New York institution. This well-timed move did not terminate the bull market at once—but it certainly proved to be a storm signal of major importance marketwise in the ensuing four months. Will the present decline to the lowest level on record for rediscount rates serve as an equally accurate and reliable guide as to what lies ahead for the market? We believe the implications of the latest move on the part of the Federal Reserve authorities are clear; but that any effect on the stock market at this time is likely to be psychological, rather than through any direct influence of lower credit rates. Low money rates are nothing new to the stock market; money has been available at $1\frac{1}{2}\%$ to 2% for many months, and a small further drop physically makes little difference.

But from the standpoint of pointing the way toward increased buying by banks and large institutions in the bond market, the reduction to 2 per cent is of prime importance. Before a new bull market can be constructed from the dying embers of the 1929 conflagration, a more attractive bond market—and later, preferred stock market—appears essential. Slowly, but surely, these developments are beginning to take place and soon may be expected to accelerate their pace. Indeed, the first quarter should establish a very sound foundation for fixed income bearing securities which in turn will subsequently impart strength to common equities.

Taking all these factors into consideration it is obvious that a rising stock market is in the making. It will not prove the part of wisdom, however, to seek participation in this transitory stage. We have already envisaged the year as one of opportunity, and it will be—but nothing will be lost in the long run by waiting until the up-trend is firmly established. It is true that a few points may be sacrificed by this procedure, but the premium for safety so incurred is small compared with the advantages of knowing a fundamental trend has been established.

Investors Entitled To Attractive Yield

This publication has emphatically and repeatedly counselled its readers to refrain from making extensive purchases until some clearer picture of a favorable business trend becomes evident. The wisdom of this policy during the past six months is now clearly evident. Our opinion has not changed at the present time; and any investor who purchased in recent weeks, or buys now, should make certain that he holds sound issues that will afford ample income to carry them through a period of considerable irregularity—backing and filling—before any important market appreciation may be expected.

Today the investor is entitled to a reasonable return on his money in the form of dividends, in addition to being permitted to buy at drastically lower levels. And to round out the list of advantages, he can today buy two and three times the number of shares which were obtainable with the same capital in 1929, with prospects of recouping at a

(*Please turn to page* 394)

Constructive Work to Right the Business Machine

Part I

Clogged Distribution the Pressing Problem of the Times—Its Solution as Seen by Leaders in Industry

By THEODORE M. KNAPPEN

This is the first of a series of articles on those economic problems which are vital to Business Recovery, and what is being done to solve them.—EDITOR.

"THE greatest asset of the process of distribution of goods is eager demand backed by buying power," said the president of a corporation that wraps its selling organization around the globe, "and that we have in America beyond all other nations. We owe that demand to the quick and generous conversion of the revenues of the factories into the purses of the people, through our system of high wages and high living. In normal times the goods flow out of the shipping rooms as the money to purchase them flows out of the cashiers' windows. It is the perpetual motion of prosperity. Like other perpetual motion devices it breaks down sooner or later, but it is the nearest approach to perfection in the mechanics of the distribution of merchandise that mankind has ever known. . . . ."

"Yes, and the reason why we are now in a business depression is that a catastrophic occurrence broke up that circular flow of earnings into goods and of goods into earnings," said an undiplomaed doctor of business. "The catastrophe caused unemployment and curtailed earnings to some extent, but the actual damage to the business machine was small compared with the consequences. The injury, whatever its origin, has disrupted the regularity of the circular flow and diminished its volume.

"Dropping the figure of speech, what I mean is that the shrinkage of business has been out of all proportion to the curtailment of the real buying power of the nation.

"Suppose there are three or four million more than the normal number of persons out of jobs—it does not explain the thirty or forty per cent contraction of business activity as compared with 1929. The fundamental trouble now is that the 40,000,000 who are employed are not spending normally—they are hoarding. They are fear-stricken—they are afraid of the loss of their jobs or of a reduction in pay. This applies to executives of powerful corporations as well as to the humblest common laborer. The restoration of prosperity lies in the resumption of normal buying by the people who are employed.

"The talk of reducing the pay of those who are employed is a doctrine of despair and of lunacy. Its application would be suicidal. It would be a blow at the fundamental cause of normal American prosperity, and would turn the present depression into a dismal abyss.

"The solution of our trouble lies in the full

Price Policy—Advertising—Chain Outlets, The Answer to Distribution Problem

By C. M. CHESTER, JR.
President, General Foods

WITHOUT undertaking to discuss the economics of the relation of the distribution of profits, and of wages and salaries, to the consumption and, therefore, to the distribution of goods, I am glad to say that our companies are acting in accordance with the idea that sustained consumption depends upon the support of buying power. During the present depression we have not reduced forces or wages and salaries.

A factor that has helped us in our distribution has been our price policy. In some cases we have reduced prices on certain packaged goods merely with the idea of increasing sales and thereby stepping up eventual profit. Also, we have passed along very large savings due to falling costs of raw materials. We estimate that the public is now saving about eighteen million dollars a year as a result.

Coming to the mechanics of distribution, we find that advertising is the most potent factor in creating demand, attaining and maintaining volume of sales. One of the impediments to low-cost distribution is the seasonal tides in business. Horizontal and group integration of business is making for the reduction or obliteration of these ups and downs, as it tends to give sales forces steady activity, the seasons of greatest demand not being the same for all products. There have been several hundred such integrations in the food industry in the past five years.

There is much talk of the necessity of complementing mass production by mass distribution. When we consider the thousands of chain store organizations, whether branches or groups, with their mass buying, their low-profit margins, and their rapidity of stock turnover, it is fair to say that the machinery of mass distribution is being rapidly provided, and that many thousands of individual grocers are, at the same time, making rapid strides in efficiency.

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rotation of the nation's present buying power. It could be started tomorrow if confidence could be given to the people who are at work. For the time being they have abandoned American standards of living, they are existing, because of fear; instead of living in serenity and confidence. I am no advocate of profligacy; a surplus of income over outgo is the primary source of prosperity, but the mass consumption that we must have to correspond to our mass production depends upon the quick return of the largest possible volume of earnings to production. The fear that is so destructive today cannot briefly be traced to its ultimate causes, but some of it is due to unjustifiable consolidations, departure of our great banks from primary banking functions into all sorts of cats-and-dogs activities, diversion of business management from the nominal heads to bank executives, widespread divorce of business direction from business ownership, of responsibility from authority."

As what is sold is bought with what is produced, and as what is bought is also what is produced, it is abstractly true that production determines consumption, that buying is selling.

That's the theory, and it is good, but the factual situation does not yet confirm it.

Trade is Distribution

Broadly speaking, trade is distribution. Consequently, to make our theory work trade must be just as free and unhampered as the will and cunning of man can make it. Trade is less hampered by law, tradition, custom and social rigidity in the United States than in any other great nation in the world. People are freer to satisfy their desires, so far as artificial trade restrictions are concerned, than in any other nation having a large population and a vast territorial extent. The satisfaction of desires through trade is prosperity in any society where the division of labor has proceeded to any important extent. Trade, in such a society, is the mainspring of economic life. A hundred years ago an American planter could be prosperous with little or no trade, for he was at once his own producer, distributor and consumer. Today specialization has proceeded so far that nobody can prosper or even exist without trade. The greater the volume of trade, the greater prosperity.

Within the limits of the United States everybody is free to trade with everybody else. But at the frontiers that freedom of trade ends. Practically all international trade is conducted under onerous restrictions. At the boundaries trade conflicts with the real or fancied interests of national policy. At the same time the world is becoming increasingly interdependent for the full satisfaction of trading aspirations.

Trading Wheat for Grand Opera

Within the nation there are many obstacles to complete freedom of distribution, which prevent the total annual production of wealth from being a full counterpart of consumption. These obstacles are partly the product of the inevitable complexity of our economic system. Direct exchange no longer exists, save among remote tribes. Nobody, for instance, raises wheat to trade it for grand opera tickets, pianos and golf equipment. We all produce primarily to exchange our products for money. So we have an original cause for maladjustment, because production is not initially balanced against consumption. But even if production were always adjusted in volume and variety to consumption, we would be confronted by another obstacle born of our complex system. As direct exchange has been abandoned, consumption is determined by the possession of money, property and credit. If the producer does not receive ample money for his product he is not able to buy amply.

Roughly speaking, the great majority of people are employed by other individuals and corporations. At the same time they constitute the consuming power of the nation. If their total incomes do not correspond to the total volume of goods they produce they cannot consume, that is, buy all of those goods. And so overproduction, so-called, results.

The surpluses of large individual fortunes and of corporations, being withdrawn from the cycle of production and consumption of consumers' goods tend to maintain unbalance between consumption and production.

This raises the much-discussed problem of the social values of saving as contrasted with spending. For the time being, at least, saving obviously restricts consumption; in the case of saving in the form of actual physical hoarding of money, it permanently depresses consumption. The gold hoards of India constitute sinkholes of wealth. But as it is obvious that it is only by saving that production can ultimately expand we are confronted by an apparently insuperable obstacle to the maintenance of distribution in even volume. We have here, however, an invincible argument in favor of the largest possible distribution of their earnings by the industrial organizations in the form of wages and dividends.

Their prosperity, considering them in the mass, is indisputably, far more dependent upon their payrolls and their dividend disbursements than it is upon the size of their surpluses and undivided

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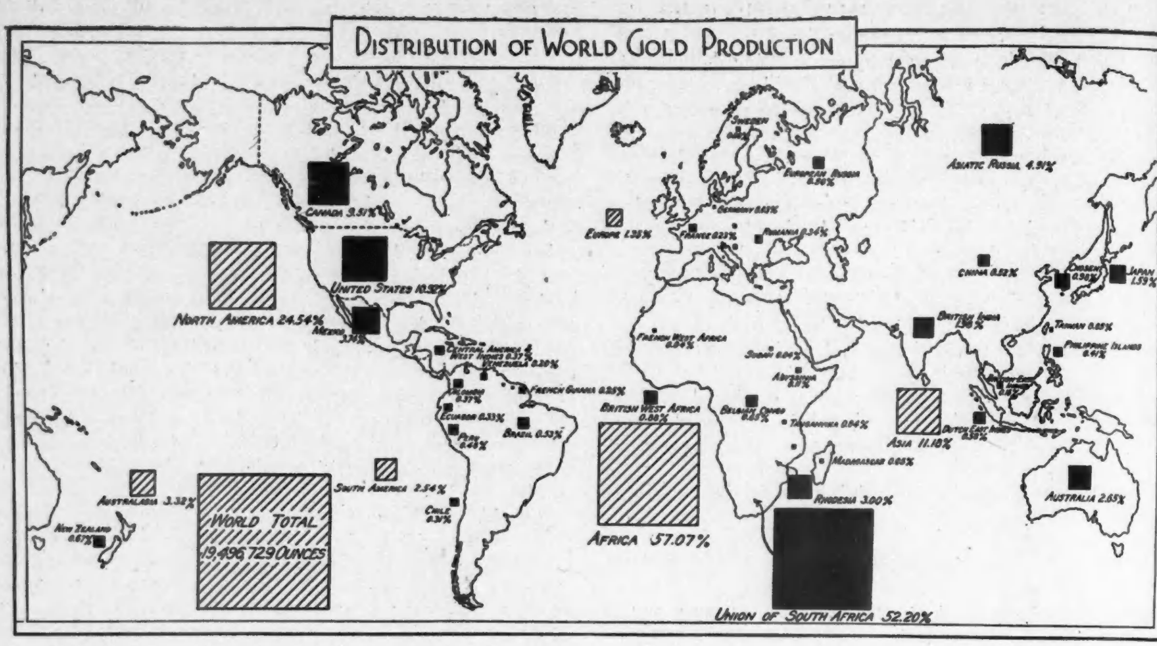
Higher Wages at Home and Higher Standard of Living Abroad are Essential

By Thomas J. Watson

President and General Manager, International Business Machines Corp.

DISTRIBUTION of manufactured goods has no fundamental problem to solve in the way of movement of goods from the factory to the consumer. This matter is constantly being studied and improved upon by the management of the various manufacturers, and is on a better basis today than ever before. With certain raw materials—wheat, for instance—there seems to be a real problem. I am feeding 62-cent wheat to cattle on my farm, while millions of people in some parts of the world are on the verge of starvation. You can't say there is overproduction of wheat under such circumstances. Here is something for the world to think out. We are solving the fundamental problem of distribution in America by inspiring over 120,000,000 people always to want more and better things and by matching that desire for higher standards of living with the purchasing power that enables them to satisfy their wants. High wages, high standards of living, enthusiastic workers, high prosperity—that is the sequence. The per capita consumption of goods in the United States is seven times as great as the average of the outside world. Think of what remains to be done in increasing the consuming power of the world, and it is on the way. The business depression of 1930 was but a dent in the general upward course. It is to be regretted, of course, that there are so many people unemployed, but it must be remembered that there are over 43,000,000 people at work. We shall always have reverses but the new peaks are always higher than the past ones and I believe we are all going to accomplish more toward preventing excessive unemployment in the future.



Gold and Gold Requirements in Close Race

Surplus of Reserves at Present Acquits Gold of Responsibility for Commodity Debacle But Near Future Will Demand Careful Husbanding

By **LOUIS T. MCFADDEN**

Chairman of the House of Representatives Committee on Banking and Currency

BEFORE the present business depression set in there was a widely accepted belief that the slow recession in commodity prices then in evidence was a reflection of a slowly increasing disparity between gold production and the monetary demand for it. Since the crisis of a year ago there has been some disposition to attribute the precipitate fall in the price level to an acute lack of gold.

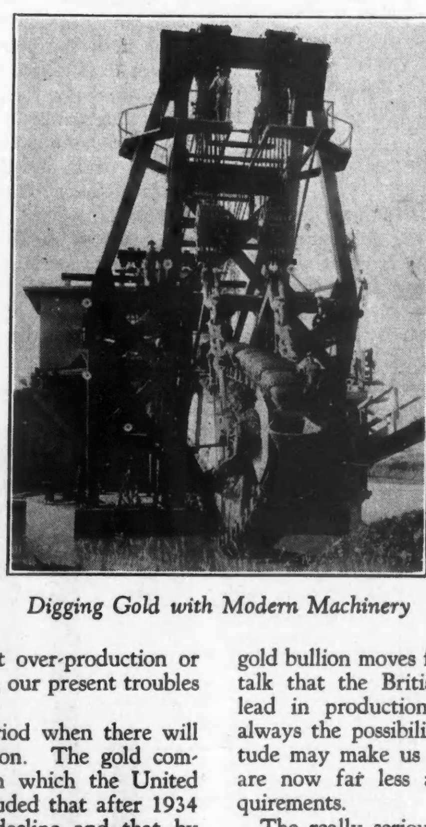
The researches of Professor Cassel and others indicate that since 1850 the world's financial requirements for gold have increased about 3 per cent annually, and that taking that period as a whole the increase in the monetary supply of gold has been about the same. Of course, the production from year to year, and for groups of years, since 1850 has varied greatly, the maximum being reached in 1911-15 with an average annual production of more than 22,000,000 ounces. During the next five years the average was about 19,000,000 ounces; between 1920 and 1925 it fell to less than 17,500,000 ounces. In the last five years it has gone up to close to 20,000,000.

The total production of gold from 1901 to 1925 was 477,500,000 ounces, (about $10,000,000,000) being more than twice as much as the total output from the time of the discovery of America to 1870. This vast increase reflected not only increasing productive capacity but also the increasing demand for gold, which was due to the rapid expansion of world trade after the industrial revolution and to the gradual spread of the gold standard. As world trade grew and increased in importance in the economy of nations the desirability of a common standard of values and medium of exchange became stronger and stronger. Nothing else was so acceptable to the great commercial nations, after bimetallism became impossible, owing to the impossibility of maintaining parity between gold and silver. Nothing else has

ever appealed to mankind as its equal for exchange and valuation purposes, despite its comparative practical inutility. All the gold recovered since the discovery of America would be contained in a 38.5-foot cube. Yet variations in the output of gold profoundly affect trade. Prices vary the world over from time to time as gold is relatively plentiful or scarce. The mere fact that the mint stamps 23.22 grains of fine gold as a dollar does not establish the dollar as an unvarying standard. Gold and the currency based on it are exchanged for goods in commerce, and the fact that it is practically the universal medium of exchange does not keep it from varying in exchange value. Gold is itself a commodity, aside from its monetary uses; a fact which must be kept in mind, as a considerable part of the annual production goes into the arts and more or less disappears, even potentially, from monetary consideration. In 1929 the commercial consumption of gold in the United States was actually larger than the domestic production, the former amounting to 57 million dollars and the latter to 46 millions. Of the gold that went into manufacturers and the arts, 25 millions was new gold.

The latest figures show that the world's total supply of monetary gold is 11,175,000,000 dollars of which $10,950,000,000 is in the possession of banks of issue and governments (the United States having about $4,220,000,000 and France $2,040,000,000) and $915,000,000 in commercial banks and boards.

Those who contend that, viewing the world as a whole, there is too little monetary gold, will have to prove that the world is now using every dollar's worth of gold in the possession of central banks and government treasuries to the limit. The actual fact is that on the basis of an average gold reserve of 33 per cent as adequate, the world now has at least one thousand million dollars of gold that is not being used to support currency and credit. I find it impossible to conclude that the supply of gold, taken as a whole, has anything to do with the world depression. It may be argued that uneven distribution of the supply has set in motion forces that have contributed to our present situation, as some countries have not enough gold coverage and others, notably France and the United States, too much. At least half the presently idle monetary gold is in the United States. On the whole, though, I believe that our present trouble is neither lack of gold in toto nor of even distribution. The world, notably the United States went too fast for five or six years and produced more wealth than could be distributed. You can call it over-production or deficient distribution. But by and large, our present troubles are not of gold supply origin.



Digging Gold with Modern Machinery

Whether we are approaching a period when there will not be enough gold is another question. The gold committee of the League of Nations, on which the United States was represented, recently concluded that after 1934 the world's gold production would decline and that by 1940 the monetary shortage would present a serious problem, and if continued would make for gradually falling prices. There seems to be little doubt that while the output of gold will hold up and may probably increase for the next few years, depletion of ore supplies and increasing costs of recovery will finally result in a falling off of production. This conclusion assumes, however, that there will be no new gold discoveries on a large scale. While the world has been generally prospected, there is always a possibility of startling new discoveries, which may upset all prophecies and reverse price trends.

The gold committee made one prognostication on the basis of a 33 per cent reserve and another on the basis of 40. But there is no reason why with the world generally on a gold basis and the supply of monetary gold in the control of the central reserve banks the reserves should be maintained at even 33 per cent. The present ratio of gold to currency and credit is largely legendary; it has come to us from the unstable banking conditions of earlier times. It may be that with increased public confidence in the strength of the fundamental banking systems a much smaller ratio will suffice in the future. It is a fair conclusion that at the worst it will be many years before a relative decrease of money, and of credit, so far as the latter is based on gold, will affect the general price level. The world-wide business depression helps the gold situation for the time being, there being less need for gold than for some years past. On the other hand, there is a probability that by 1940 the world will be seriously confronted by a problem of making the gold supply go much further by spreading it out thinner or of introducing some other standard of values and basis of money. There is some possibility that eventually gold may be pieced out by the adoption of an alloy of one part of silver to 19 parts of gold, as the standard; and there is much discussion of a proposal for a price index dollar. Larger use of checks, withdrawal of gold coin and gold certificates from circulation and curtailment of the use of gold in arts and industries are other means of husbanding monetary gold. Steps may be taken to check hoarding. More than a quarter of the annual gold product at present goes into non-monetary uses, and the hoards of British India alone absorb large quantities yearly.

Although it is true that at present the United States has excessive gold reserves and is fortified thereby against some years of decreasing gold production it would be wise national policy to encourage the domestic production of gold. We now produce only 11 per cent of the annual output, whereas British South Africa alone yields 52 per cent, and the whole British Empire 68 per cent. At present gold bullion moves freely from nation to nation, but there is talk that the British Empire may take steps to turn its lead in production to its own advantage, and there is always the possibility that war or some unforeseen vicissitude may make us dependent on our own supplies, which are now far less annually than our present normal requirements.

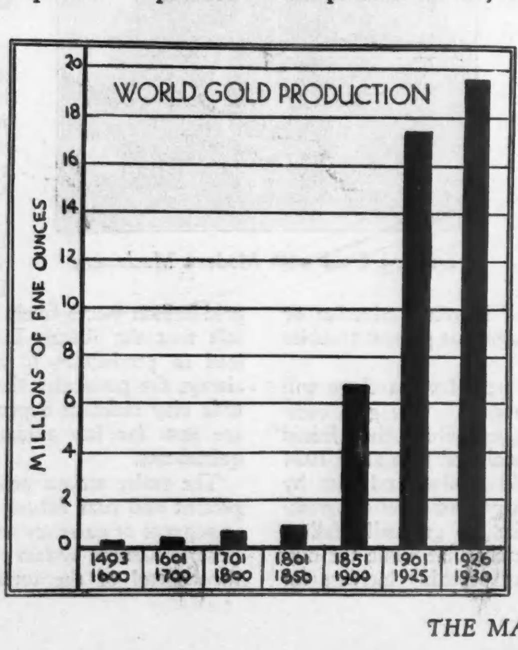
The really serious problem in reference to gold for the present and near future is its adequate banking utilization in support of currency and credit. The failure of our own Federal Reserve system to act judiciously with reference to the control of the total volume of credit, based on its

enormous and excessive gold holdings, is a real cause of our present difficulties insofar as they are attributable to gold. Its rediscount and open market operations in 1927, undertaken for the avowed purpose of assisting the world to get back on a gold standard basis, generally abandoned during the war and subsequent years, resulted in sending some gold abroad, as intended, but principally in pumping about $1,500,000,000 of superfluous credit into circulation in the United States. The latter was due to open market operations designed to neutralize the export of gold, as well as to the low rediscount rate. The ensuing speculation in securities was an inevitable result, and from that orgy of speculation has come a measure of our present distress, and, to some extent, that of the world in general. Speculation made money high in the stock markets and, through competition, in commercial affairs. High rates of interest here attracted money from other nations, for speculative uses. These rates diverted the flow of investment funds from foreign loans to speculation or to the financing of speculation through stock market loans. We thus had the spectacle of the world sending us its short-time funds while at the same time we cut off its long-time loans, thus doubly discouraging its ordinary activities. With such a plethora of funds the stock markets inevitably went crazy, commercial business was starved, world trade was upset, and then came the inevitable crash, when it was realized that prices were beyond all reason. It is my belief that the Federal Reserve Board should have tightened up long before it did, even if it be conceded that it acted wisely in the first instance which, in my opinion, it did not. Its scolding of securities speculation was inconsistent, because that speculation was a direct result of its own action. With this experience in mind, we should give serious attention to the future management of our gold reserves and defer worry about the total gold supply until it is an actual and not a prospective problem.

Pooling the World's Gold

The adoption of concerted international policies looking to the judicious use and husbanding of the gold supply is laudable and even necessary. But there is great danger that such concerted use may be as unwise as the policies of the Federal Reserve have been on occasion. This danger lies particularly in the growing disposition in powerful quarters to view American affairs from an international instead of national standpoint. The Bank of International Settlements has already become an international bank in a sense far beyond the operations that directly relate to the implementing of reparations financing. Already some 80 per cent of its transactions are unrelated to reparations. Its friends do not hesitate to predict that it will grow into a bank of central banks. The power of such a bank is beyond appraisal.

It is contemplated ultimately to have it mobilize and direct the entire gold reserves of the world in something like the way that the gold settlement fund of the Federal Reserve is used as between our Reserve Banks. In that event a few men sitting in Basle will hold the fate of the world in their hands. They can stimulate or retard commerce from New York to Singapore and from Iceland to Australia. The opportunities for misuse of this power, and its potentialities for the undue advantage of financial groups, are enormous. Anyone familiar with the manner in which great banking interests in the United States have used their power, in the past, to promote their selfish interests at public cost, will shudder at the possibilities of such a group being informally in the saddle at Basle with the gold of the world—and all that signifies—in the saddle-bags.



Drift, Not Steering

We, as a nation, have been drawn into this new venture, without any statutory authorization. With the assent of our government, nevertheless, and the co-operation of the Federal Reserve Board, we are in the International bank up to the neck, thanks chiefly to the tireless efforts of a great New York banking group. We are playing the game of the League of Nations without being in the League, and, consequently, without direct control over the uses that body may make of our resources. The Bank of International Settlements is essentially the financial part of the League. Now, without denying the need for an international central bank of central banks, it does not follow that we should allow ourselves to be drawn into it, with all its implications, without due authorization. Without such authorization, the whole development of the International Bank may take a course inimical to our national interests, as, for instance, the deliberate use of our gold reserves to help the rest of the world, without due regard for the effects of such action upon the United States.

The drift is already sinister. The New York Federal Reserve Bank is essentially the central bank of the United States—and not the Federal Reserve system—with respect to the International Bank. The former chairman of the New York bank is now chairman of the board of the International Bank, and the latter owes its very existence to the Federal Reserve Bank of New York. I believe that the composition of the Federal Reserve Board, including its new governor, is being deliberately shaped to conform to the plans of certain international bankers in New York, who already dominate the board of the New York Federal Reserve Bank. The purposes of these men may be lofty and patriotic but they may err through self-interest or succumb to international blandishments. Their self-interest affiliations with the banks and governments of France and England are common knowledge. Their interest in financing commercialized German reparation bonds has already been demonstrated at the expense of American investors. I firmly believe that they are intent upon projecting the United States into the whole reparations complex. How this involvement may bring the United States, despite the vowed national policy of aloofness, into the whole web of European complications has already been pointed out by me in a previous article in these pages.

It is easy to foresee that we may one day find that our great hoard of gold is being ad-

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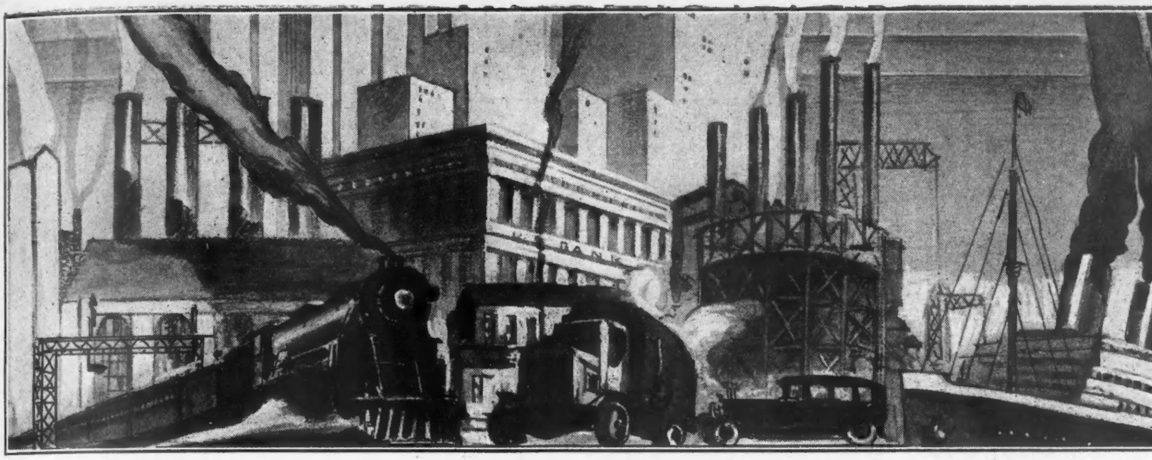
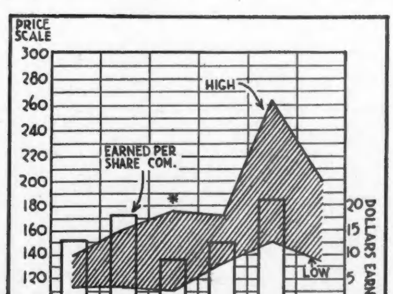


The Ten Outstanding Investments For 1931

Investment opportunity will mark 1931. It gives promise of being a period in which sound issues can be acquired at low prices and held for ultimate and substantial appreciation in value and at the same time affording a fair return. The ten stocks described below are in our opinion among the best that can be purchased with such an objective. They stand high in their respective industries, they are in sound financial condition and the outlook in each case indicates sustained improvement. At current prices they may be regarded as well deflated issues which commend themselves to far-sighted investors.

United States Steel Corp.

IT has taken the United States Steel Corp. nearly thirty years to develop from an unwieldly, overcapitalized conglomeration of some twelve separate companies to its present predominant position as perhaps the largest and best integrated industrial enterprise in the world today. The corporation's facilities now comprise manufacturing plants of all kinds, including rolling mills, tube and pipe mills, wire mills, structural steel shops, galvanizing units, cement plants and a shipyard, in addition to literally dozens of other factories turning out miscellaneous products. Extensive supplies of raw material, coal, iron ore, limestone and natural gas are also owned, as well as the companies which serve part of its transportation requirements.



Capitalization consists of 3,602,811 shares of 7% cumulative, non-callable preferred stock of $100 par value, followed by 8,677,310 shares of common stock also of $100 par value. There is now no direct funded debt and that of subsidiaries amounts to but slightly over $100,000,000. The corporation commenced business in 1901 with direct and subsidiary obligations amounting to over $360,000,000, which was subsequently about doubled. The retirement of well over $600,000,000 in bonds, together with enormous expenditures for additional property, extensions and improvements—this has been about 1730 million dollars since the formation of the company—while at the same time attaining an impregnable cash position, well illustrates the great equity that has steadily been built up for the common stockholders.

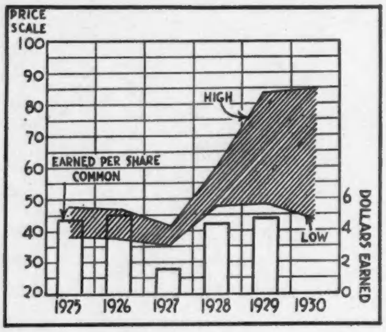
Although it is generally conceded that the steel industry is among the most basic of all, it is characterized by frequent periods either of feast or famine and this has been clearly reflected throughout the earning record of United States Steel Corp. As might be expected the war years 1916 and 1917 still stand out as the highest peaks, while the general depression of 1921 marks the deepest valley of recent times. Improvement over the last nine years, however, has been fairly consistent and the efforts made toward still further diversification of interests has doubtless been a stabilizing influence.

Net income amounted to $197,600,000 in 1929 and $114,200,000 in 1928, equal to $21.19 and $12.50 per share respectively. For the first nine months of last year $8.44 per share was shown. Cash dividends on the common stock have been paid in varying amounts during every year since the formation of the company with the exception of the years 1904, 1905 and 1915, while a stock dividend of 40% was paid in June, 1927. The present rate is $7 per share per annum, which rate has been maintained since 1926.

Although slack buying and the year-end inventories has put current steel operations at the lowest level of a depressed year, undue pessimism is decidedly unwarranted. Efforts are being made to control further price declines in steel products and we are close to a Spring upturn. United States Steel Corp., due to its predominant position in the field, undoubtedly will be among the first to feel the improvement and although it is not inconceivable that the common stock of this company should decline somewhat further before it turns upward it is a stock that will well reward the investor in the course of 1931.

Standard Oil Co. of New Jersey

THE Standard Oil Co. of New Jersey, a two-billion-dollar concern, is the far from senile parent of the "Standard Oil" group and despite conviction under the Sherman "anti-trust" Law in 1911, which forced it to distribute its entire holdings in thirty-three subsidiaries, it is still the most important among the many important units in the industry. The company's operations are completely integrated insofar as it produces, refines, transports and markets petroleum in all of its many forms and by-products. It is also deeply interested in the hydrogenation of petroleum by which 100% gasoline can be extracted from crude oil instead of between 50% and 60% under the most efficient "cracking" processes. In addition, the company owns half the Ethyl Gasoline Corp., the other owner being General Motors Corp., while the Stanavo Specification Board recently formed in conjunction with the Standard Oil companies of Indiana and California, is to develop the marketing of aviation products under one trade name. Although progress is undoubtedly the keynote of the company's policy throughout *all* its activities, the accent at the present time would appear to be on more profitable retailing operations. It is reported that arrangements are now complete whereby automobile tires under the trade name "Atlas" will be sold at all filling stations belonging to the Standard Oil Co. of New Jersey and its affiliates. These tires, made by leading manufacturers, will be guaranteed by Standard. It is also said that this form of distribution may be extended to include batteries and various household chemical products. Through contract with the Postal Telegraph-Cable Co., telegrams may even now be sent from many of the company's service stations.



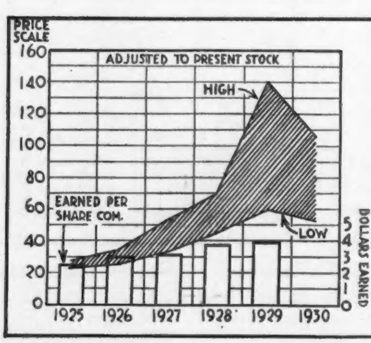
The capitalization of Standard Oil Co. of New Jersey consists of 25,418,968 shares of common stock of $25 par value. Funded debt comprises $120,000,000 5% debentures due 1946 issued by the parent company, while subsidiary fixed obligations amount to slightly over $50,000,000.

The company reported net income of $121,000,000 for 1929 which compares with $108,500,000 for the year 1928—equal to $4.75 per share and $4.43 per share respectively. No later figures are available. Dividends on the common stock have been paid in every year since the formation of the company in 1882. The present regular rate is $1 per share per annum, but this has been enhanced by the declaration of an extra quarterly dividend of 25 cents per share since the second quarter of 1929, putting the stock on a $2 basis for all intents and purposes.

Although the oil companies are undoubtedly feeling the effects of the present depression, the real seat of the present trouble lies with the industry itself with its overproduction and cutthroat competition. An effort is now being made to correct these excesses and despite the impossibility of forecasting the actual turning point, it is certain that Standard Oil Co. of New Jersey with its immense financial strength, and earnings protected by unusual diversity of products and markets will be among the first to register improvement. The common stock of this company then, selling around $50 per share to yield 4%, including extras, would appear to present attractive long term possibilities.

Union Carbide & Carbon Corp.

THE decade just closed has witnessed remarkable changes in the American industrial picture, but among the more spectacular developments has been the rapid rise of the chemical industry until now it takes its place among the leading industries of the country. Vitally necessary to practically every other industry it follows that chemical products have an exceptionally wide and diversified market, and one which has grown to keep pace with the rapid expansion of American industry.



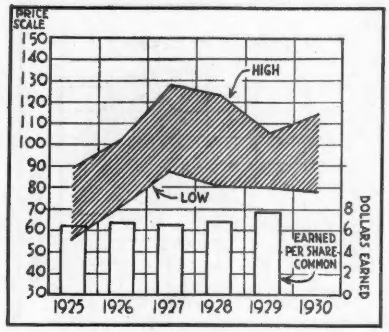
In view of this growth it is easy to understand why those companies possessing capable managements and producing an increasingly varied line of products, have shown such impressive sales and earning records in recent years, but equally remarkable is the relatively favorable showing of the industry during a year of depressed conditions such as 1931. In other words, the industry as a whole is relatively free from excessive fluctuations, a characteristic superimposed upon the longer term upward trend.

Union Carbide & Carbon Corp. is a holding company with ramifications in widely diversified chemical and metallurgical activities through about 50 subsidiaries, which operate 164 plants and factories. Six of the subsidiaries are located in Canada, and two in Norway. The principal products include calcium carbide, used mainly in the generation of acetylene gas, oxy-acetylene welding apparatus, the commercial gases oxygen, nitrogen and others including "Pyrofax," various special alloy steels, alcohols, solvents and other chemicals, batteries sold mainly under the name of "Eveready," various carbon products and radio tubes.

The expansion program of the company in the five years of 1929 involved nearly $75,000,000. for improvements, new construction, and acquisitions. In planning this expansion the management has in mind strengthening the future position of the company as well as immediate gains to be derived. For instance, the 1930 depression did not deter the company from going ahead with a giant development including three large electric generating plants and an industrial plant near Boncar, W. Va.

Net earnings of the company for the first nine months of 1930 were equal to $2.22 a share on the 9,000,743 shares outstanding, against $2.89 per share in the first nine months of 1929. Full 1930 earnings will approximate $3.00 per share against $3.94 in 1929. In common with the rest of the market, the stock is down sharply from the high price of 1929 when it sold at 140, but relatively the present price of 58 represents chiefly a more conservative valuation of the stock rather than a fundamental change in the company's long term outlook. Paying a dividend of $2.60 the stock returns a yield of 4.5% and is suitable for long term holding.

Liggett & Myers Tobacco Co.



THE principal cigarette companies of the United States are justly entitled to their enviable investment reputation. In fact, their past record of consistent improvement is probably unequalled by any other major industry. Liggett & Myers Tobacco Co., originally part of the old American Tobacco Co., which was dissolved under the "anti-trust" laws in 1911, is now the third largest company operating in the field and that it has indeed been a profitable investment may be realized from the fact that dividends have been paid in each year since the company's formation on every class of stock outstanding.

Although all kinds of tobacco products are manufactured, with the exception of snuff and full-sized cigars, the company's most profitable lines are the three cigarettes—"Chesterfield," "Piedmont" and "Fatima," while "Velvet" and "Granger" smoking tobaccos are extremely popular in their particular field. The company, in common with other leaders in the tobacco industry, spends large sums for advertising, a policy which has enabled it to meet competition and increase sales.

The capitalization of Liggett & Myers Tobacco Co. consists of 225,141 shares of 7% non-callable, cumulative preferred stock of $100 par value, followed by 859,856 shares of common stock of $25 par value and 2,277,584 shares of non-voting Class B common stock also of $25 par value. Funded debt, which has been outstanding since the formation of the company, totals slightly over $28,000,000.

The company, as is customary in the industry, does not report gross sales, thereby making it impossible to deduce anything in regard to increasing or decreasing efficiency. Total income, however, has grown consistently since 1923, when $11,376,000 was reported, until 1929 when this item amounted to nearly $24,000,000. Total dividends paid over the same period have likewise increased, albeit at a still faster rate. In 1923 dividends on the common and Class B stocks amounted to slightly over $4,000,000, while in 1929 over $13,000,000 was paid. The present rate on both classes is $4 per share per annum, augmented in each of the last three years by the declaration of $1 extra.

Cigarette production for domestic consumption has shown a steady upward trend for a number of years. There is now, however, some evidence that the tremendous stimulus given to the industry by the woman smoker and other factors is losing some of its initial acceleration. Last November, production showed the greatest drop for any month in five years, although the total for the first eleven months of 1930 was still negligibly ahead of the corresponding period of 1929. There is then little or no prospect for abatement in the state of keen competition now existing in the industry and management is likely to become a factor of increasing importance. Liggett & Myers Tobacco Co. is equipped in every way to retain at least its present share of the total business and the Class B common stock, now selling around $81 per share to yield well over 6%, including extras, would appear to possess definite merit for long term holding.

United Corp.

UNITED CORP. was organized in January, 1929, by some of the country's leading bankers and utility executives for the purpose of bringing about a closer community of interest between the leading utilities operating in the eastern part of the United States. In form, it is an investment company owning considerably less than control of the various companies in which it is interested, with the exception of United Gas Improvement and Public Service of New Jersey where ownership approaches practical control. A large stock interest is held in each one of the following important utility companies: Columbia Gas & Electric, Columbia Oil & Gasoline, Electric Bond & Share, Consolidated Gas, Commonwealth & Southern, Niagara-Hudson Power, Mohawk-Hudson Power and Lehigh Coal & Navigation.

As this is written, the common stock of United Corp. is selling in the market at around 18 compared with a high of 75½ in 1929 and has a break-up value, assuming the securities held could be sold at the current market, of between $19 and $20 a share. Ever since being admitted to trading, except for a brief period during the earlier months of the company's life, the stock has sold at a discount of a few dollars below its break-up value. Probably this is because no consideration is given to the value of the stock option warrants of United Corp. (right to buy one share at $27.50 for each warrant) outstanding.

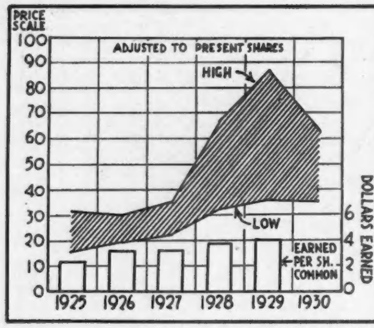
Earnings are derived from dividends on stocks held and occasional trading profits, but the latter source of income is unimportant because the purpose of United Corp. is to establish a community of interest rather than to buy and sell stocks for profit. On the basis of present holdings and present capitalization, a dividend income of 90 cents a share per annum would seem a fair estimate. Including the company's share in the undistributed earnings on the stock which it holds, real per share earning power probably is between $1 and $1.10 a share.

It is impossible to arrive at definite figures. For 1929, earnings of 49 cents a share were reported. A dividend of 50 cents a share was declared payable October 1, 1930, and there are prospects that this dividend may be increased to 75 cents.

The stock is a popular trading medium because of its strong banking sponsorship, the opportunity it provides to participate in price movements in a diversified list of utility stocks and the constant discount at which it sells below break-up value. It is widely recognized, also, that the company is destined to play an important part in any further merger developments in the eastern utility field, and over a reasonable period show record substantial gains in price.

National Dairy Products Corp.

NATIONAL Dairy Products Corp. is one of the two leading distributors of milk and milk products. Directly and through subsidiaries, it retails milk and cream in more than 1,700 communities. Through purchase of the properties of Kraft-Phenix Cheese in the Spring of 1930, the company became by far the largest factor in the cheese business. Sales volume of the units now controlled was around $400,000,000 in 1929, but will be smaller in 1930 because of the lower average price level prevailing. The consumption of milk and milk products constantly is increasing; health authorities provide much free advertising. The ice cream division is highly profitable.



Inventory turnover is even more rapid than in a chain store, the 1929 volume of about $400,000,000 evidently having been accomplished on an average inventory of somewhere between $25,000,000 and $30,000,000. The milk business lends itself easily to large scale operations because of the expensive processing now demanded by the consuming public and the greater elasticity of a complete unit in the industry in taking care of the inevitable milk surplus at certain seasons of the year. When fluid milk consumption declines, the surplus supply may be made into butter, cheese, ice cream mix, condensed milk, etc.

The record of National Dairy Products Corp. since organization late in 1923 has been one of constant growth and regularly increasing per share earnings. On the basis of the present shares, net profits in 1930 are expected to be a little over $4 a share, which would compare with $4.04 a share in 1929, $3.82 in 1928, $3.25 in 1927, $3.22 in 1926, $2.34 in 1925 and $2.31 in 1924. During this period, the company's sales volume has increased from $20,000,000 to upwards of $400,000,000, and the number of common shares outstanding (on the basis of the present stock) has jumped from 756,000 to over 6,000,000. Early last year the company was threatened with an accumulation of inventory, but the summer drought helped to correct this trend.

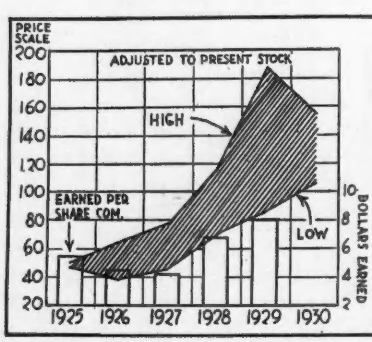
Probably the weakest factor in the business of National Dairy Products Corp. is the wide spread between the price paid the farmer for milk and the price at which it is sold at the door. So long as this exceptional differential continues, the company should be able to report very satisfactory profits, but farmer agitation to narrow it is a possibility which the shareholders should not neglect entirely. Of course the company's defense of the wide profit margin is the amount of processing and handling demanded by the consumer.

The stock at around 40, paying $2.60 per annum, offers a yield of 6.5% and is selling at a little less than ten times indicated earnings for 1930. The fact that this company's per share earning power has been maintained in a year as difficult as 1930 gives the stock a depression proof appeal.

Taking all of these factors of both strength and weakness into consideration, National Dairy commends itself as an investment worth making and holding for income and profit.

American Can Co.

MANY common stock buyers are interested in combining in their commitments investment qualities with attractiveness as trading mediums. The first will give them assurance on the long term desirability of the stock, while the second offers them the possibility of handsome profits within a reasonable time depending on the conditions of general business. Ideal from both these viewpoints is American Can Co. common stock.



The company is by far the largest factor in the industry doing a business about four times as great as its nearest competitors. It leads the field in the manufacture of tin containers for food products, chemicals, oils and other lines, including tobacco products. The company's plants number about fifty, most of them located throughout the United States, chiefly in the Middle Atlantic States, but several of these are located in Canada and Hawaii. Most of its properties are owned outright, but some of them are leased. All of the plants are thoroughly modern, the result of a long period of new construction and improvements in the course of which about $47,000,000 surplus earnings was reinvested in the properties. Through British Can Shares, Inc., the company is getting a foothold in Great Britain.

At various times in the past, the company has undertaken the manufacture of other products, such as adding machines and cash registers, and during the war it manufactured some munitions, but these lines have not been continued. Other types of containers aside from tin cans, however, are manufactured, and recently the company has been experimenting with transparent cellulose containers.

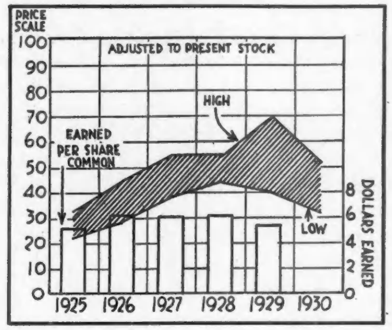
During 1930, the expansion of the facilities were continued. A large plant and warehouse costing about $1,600,000 is planned at Honolulu, to provide cans for Hawaiian pineapple packers; and other large plants were started at Seattle, Wash., and Terre Haute, Ind. Indeed, there seems to be no saturation point in view for the can making industry. It is true, however, that the demand for containers is affected by the crops of fruits and vegetables and fish hauls, but so diversified is the source of the demand, geographical as well as type of product to be canned, that individual variations have a tendency to offset each other.

The company issues no interim earnings statements, but estimates place 1930 earnings in the neighborhood of the $8.02 a share earned in 1929, perhaps even a trifle higher. The stock pays a regular dividend of $4, but in October the regular extra of $1 was declared.

Taken as a whole, American Can measures up to investment standards. At current prices it yields only 4.4% but its prospects of price appreciation as a market leader and because of its favorable prospects more than offsets this return. In 1930 the stock ranged from 156 to 104 and at this writing is only ten points above the low with capabilities of sustained advance under favorable market conditions.

Chesapeake & Ohio

In 1930 Chesapeake & Ohio's directly operated lines made a better earnings showing than those of any other major railroad. In the first 11 months net income was $4.14 a share on the new $25 par value stock (which pays $2.50 per annum) compared with $4.37 a share in the first 11 months of 1929. The road's prosperity is due to (1) the fact that it operates in a territory controlled by non-union coal mining labor; (2) to the low cost of producing high grade bituminous from the thick seams in Kentucky and West Virginia from which most of its coal traffic comes; (3) to the relatively long haul for coal which it enjoys; (4) to the excellent condition of the property and equipment; and (5) to high grade operating management. During the past year C. & O. and Pere Marquette have expended more than $43,000,000 for new equipment and maintenance.



The earnings of controlled roads, Pere Marquette and Erie, in 1930 dropped off considerably, reducing Chesapeake's equity in their undivided profits to the vanishing point whereas it was about $1.03 a share in 1929; but dividend income received from Pere Marquette was only moderately smaller, when computed on a per share basis.

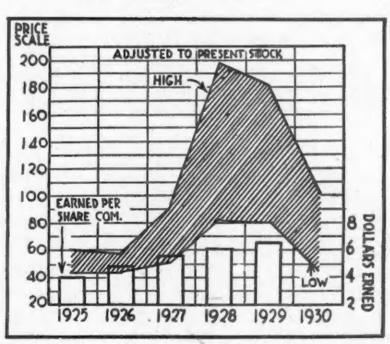
The Chesapeake & Ohio is the keystone of the Van Sweringen railroad system. On the values in Chesapeake & Ohio stock also depend the worth of the securities of Chesapeake Corp., and to a large extent the values in the securities of Allegheny Corp. In importance, C. & O. stands side by side with the other three great eastern trunk lines, New York Central, Pennsylvania and Baltimore & Ohio.

Earnings have been steady at over $4 a share on the new $25 shares for the past six years, and the stock has been on a regular dividend basis since 1921. In addition to dividends, which have been increased from time to time, shareholders have benefited from frequent subscription privileges of a high cash value. Subscription rights offered to stockholders in 1930 sold as high as $21.37 a share on the old $100 par stock, equal to $5.28 a share on the new issue.

Chesapeake & Ohio common at around 40 offers, through its $2.50 dividend rate, a return of 6.25; and is selling for between 8 and 9 times what was earned in 1930. The floating supply of the stock is reduced by the large ownership of Chesapeake Corp., and the attractiveness of the issue is augmented by the importance of the road in Eastern merger plans. The stock appears to be one of the most attractive conservative rails to buy, either for income or price appreciation.

Sears, Roebuck & Co.

The inevitable readjustment which accompanies a period of depressed business such as we have witnessed in 1930 severely affects many concerns which previously were exceptionally prosperous and frequently changes their fundamental status so that subsequently when the period of recovery is ushered in these companies are laggards in a rising market. Strangely enough, many former market leaders become sleepers, their place being taken by other stocks whose prospects for increasing earnings are decidedly promising.



Sears, Roebuck is one of the stocks which enjoyed a notorious market during 1928 and 1929, under the stimulus of an expansion program which promised the company exceptional profits. Such expansion, of course, must submit itself to the acid test of a period of depression before proving itself of sound conception, and the manner in which the company has weathered the vicissitudes of 1930, especially the reduction in farm purchasing power, augurs well for its performance under more favorable business conditions.

Sears, Roebuck is the largest merchandizing business in the country, achieving phenomenal growth especially in the last five years through aggressive mail order methods, its original sphere of activity, and combining with this, chain and department store functions. Through the consolidation of these various merchandizing methods a vastly broader field of operations was offered. The company has virtually completed its expansion program for the present, and now has about 320 stores in operation—about 50 Class "A" retail department stores and approximately 270 Class "B" and Class "C" stores. Class "B" stores are located in communities of 50,000 or more, while Class "C" stores handle mainly automobile tires, accessories and radios.

Sharply declining commodity prices in 1930 obviously caused some measure of inventory losses as the company's policy has been to lower prices to customers without delay. Inventories, however, are only of normal size and well in hand. Lower prices, rather than a drop in volume of sales accounts for the drop of about 12% in gross sales, which this year will be slightly above $390,000,000 as against $443,452,640 in 1929. The ratio of net profit to gross sales, likewise, is down sharply from 6.77% in 1929 to 3.65% in 1930. Net income is estimated around $14,250,000 or about $3 per share on the 4,797,924 common shares currently outstanding. In 1929, earnings were equivalent to $6.62 per share.

Sears, Roebuck common stock has declined sharply from the high price 197½ reached in the bull market of 1928-1929 and currently is selling for about 50. It is probable that the period of readjustment is not yet completed for the company but the major part has no doubt been accomplished.

The cash dividend of $2.50 returns a yield of 5.0%, supplemented by a 4% stock dividend, although the latter may be discontinued in 1931. Guided by excellent management, the company's prospects over the longer term are attractive and the stock is entitled to favorable consideration as a medium term investment.

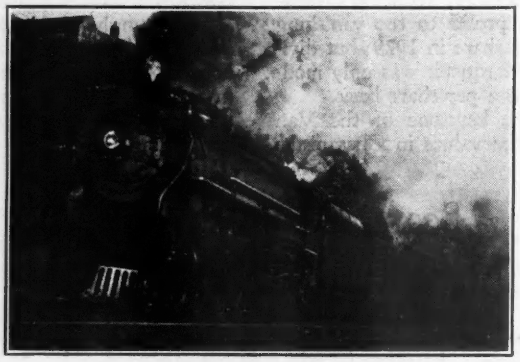
(Please turn to page 376)

The Battle of the East is Over

Accord Among Four Great Railroads of Major Import to Business, the Market and Railroad Investors

By Pierce H. Fulton

THE "Battle of the East" for control of several strategic lines and the forming of a plan for a four-system grouping of all the railroads east of the Mississippi, west of the Hudson and north of the Ohio River is over, so far as the executives of the four leading systems—New York Central, Pennsylvania, Baltimore & Ohio and Chesapeake & Ohio-Nickel Plate—are concerned. It is not completely over for the public and railroad investors but the prospect is not without promise.



The ten-year struggle has been the biggest engagement of the kind since that waged nearly 30 years ago by James J. Hill and J. P. Morgan & Co. on the one side and E. H. Harriman and Kuhn, Loeb & Co. on the other. The stakes were far bigger in the "Battle of the East," and if the plan goes through the results may prove to be far more significant and important.

The battle for the Northerns was waged on the floor of the New York Stock Exchange. It brought on the memorable corner in Northern Pacific stock and the brief but destructive stock market panic of May 9, 1901. It was spectacular in the extreme, but was settled around the peace table in the office of J. P. Morgan & Co., with the elder Mr. Morgan as sole arbitrator. The "Battle of the East" was waged, first in the board room of the Pennsylvania Railroad in New York City, and then in that of New York Central, and back again to the Pennsylvania. In its earlier stages it involved some fireworks in the market for Lehigh Valley shares, but nothing of a serious character that affected the market as a whole.

Big Stakes on the Peace Table

Settlement of this engagement likewise was reached around the peace table, with the feet of the chief contestants thereunder. Some idea of the immense volume of the stakes may be had from the simple statement that involved in the agreement which has been reached are four of the large railroad systems of the United States, which, with the lines that have been allocated to them, make a grand total of almost 38,000 miles, combined share capital at par of $2,350,000,000 and aggregate assets of $8,085,000,000.

Who won? That is a question. Apparently everybody.

The executives, during all the ten years in which they have been trying to arrive at an agreement, had in mind the rounding out of four or five big systems to give to each the territory that it desired and likewise additional trackage rights and terminal facilities that would strengthen the hold of each upon its respective field.

President Hoover obviously has in mind radically different objectives. In a word, they are "to maintain broader competition, more adequate service, simplification of rate structure, lower operating costs, and in the long run, lower rates to the public."

He said also that he regarded the reaching of an agreement, "especially at this time, as a contribution to the recovery of business by enlarging opportunity for employment and by increasing the financial stability of all the railroads, particularly some of the weaker roads."

The President further pointed out that "such questions as electrification, linking up of different railroads, development of terminals and many other major improvements have been retarded because of uncertainty with respect to the position which particular roads are to occupy in the permanent grouping."

One of the outstanding facts in connection with the announcement of Mr. Hoover, December 30, that an agreement had been reached by the executives is that it came after the holding of only a few conferences, within as many weeks, whereas a practically fruitless "battle" on the same problems had been waged for nearly ten years.

Why this marvelous difference? Largely because the Chief Executive of the Nation assumed direction of the warring forces, and also because they were willing to "beat their swords," not into the proverbial "plowshares," and "their spears into pruning hooks," but into a conciliatory spirit and smoothly writing pens with which the executives affixed their signatures to the highly important document.

And here just a few words aside: Could not other vital and even more difficult situations be adjusted with equal facility and promptness if they were taken up in much the same way? Is not the world suffering today, and has it not been suffering for more than a year, largely because of the failure to adjust many other problems like that of the eastern railroads?

Now Up To I. C. C.

With the filing by the eastern executives with the I. C. C. of their formal application to carry out the terms of their agreement the scene of the "battle" will be transferred from New York to Washington.

But as this is written there is said to be good reason for

assuming that President Hoover, as Commander-in-Chief, will take general direction of the forces in Washington as he did in New York. In plain English, the railroads and their bankers believe he will bring pressure to bear on both the I. C. C. and Congress if satisfactory progress is not made. He was careful in his statement, however, to set forth that "the plan, of course, must be submitted to the I. C. C., who have the independent duty to determine, if it meets with every requirement of public interest."

These last two words constitute one of the most difficult problems with which the proponents of every railroad consolidation plan have been confronted. The second has been to satisfy organized labor. The failure to do this was one of the chief stumbling blocks in the way of the Northerns' unification plan. On this question of labor, Mr. Hoover says: "It is my understanding that the plan provides for the protection of the interests of the employees, and full consideration of the interest of the various communities, and carries out the requirements of the law in protection of public interest generally." Many towns and cities along the lines of proposed mergers have been afraid that they would become only way stations.

Endorsement of the executives' plan for the eastern roads by the President is particularly significant. As Secretary of Commerce he was the chief champion of general railroad consolidation, among all the members of the two cabinets in which he served. In all his public statements on the question, he stressed the possibilities for economies which, in turn, he claimed would result in materially lower freight rates. Since becoming President, he has taken even a more aggressive position with respect to railroad consolidation.

And just here a bit of "inside" information. After having waged their "battle" for almost ten years, as already shown, the executives were unable to reach an agreement and abandoned their gatherings. They so informed the I. C. C. and Mr. Hoover. The latter, after listening to their presentation of their difficulties, suggested that they go back home and try hard, in a spirit of conciliation, give and take, to reach an agreement on *a* plan, although it might not conform with that of the I. C. C., made public early in December of 1929. This is precisely what they did, with the results that are now so well known.

As previously noted, however, the new plan differs radically in some respects from that of the Commission grouping. First, there is to be no fifth system. The roads that were to comprise it are divided among the four big systems as at present constituted. Secondly, it became known some time ago that all the members of the Commission are not in favor of placing the railroads in Eastern territory into a limited number of big systems, each of which would be considerably bigger than now. At least one member thinks that Pennsylvania and New York Central, for instance, are plenty large enough already.

It remains to be seen the extent to which the Commission will co-operate with the President in carrying out the executives' plan, in which he has taken such a deep interest The executives are hopeful that their plan will pass muster. Wall Street is even more sanguine. President Hoover's announcement caused a big recovery in the shares of the eastern roads and higher prices for stocks generally.

Congress, of course, must be reckoned with in attempting a forecast as to the success of this gigantic undertaking. Senator Couzens has been a stumbling block in the past of railroad consolidation for some time. Last year the Senate passed a resolution of his that would enjoin the I. C. C. for a year from acting on any consolidation plan, during which time he proposed that railroad holding companies should be investigated. The Senator, according to Washington dispatches, is awaiting developments on the Eastern plan before deciding whether he will press his resolution for passage by the House. It is doubtful that he can accomplish anything of that kind at the present session. In the meantime other members of the national legislative body may get on their hind legs and attempt to block the Eastern merger plan. It remains to be seen whether the President can hold in line the "bad boys" of both Congress and the Commission with regard to this particular undertaking.

With the sweeping away of the proposed fifth system, Wabash, which was to head it, is allocated to Pennsylvania, which already owns control, Lehigh Valley goes to the Van Sweringen Lines and likewise Wheeling & Lake Erie. Western Maryland is set down for B. & O., although the Commission has ordered the latter to divest itself of its interest in that property. There is hope that the order will be rescinded. It is believed that Pittsburgh & West Virginia will be operated jointly by the four systems.

Lackawanna, in the new plan, is allocated to New York Central. The commission gave it to the Chesapeake & Ohio-Nickel Plate group. It is understood that New York Central took the ground

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Proposed Four Systems of the East

NEW YORK CENTRAL SYSTEM

New York Central proper
Boston & Albany
Michigan Central
Big Four
Rutland
Pittsburgh & Lake Erie
Lackawanna

Mileage	Outstanding Stock (Par)	Combined Assets
7,913	$584,145,540	$1,945,336,000

PENNSYLVANIA SYSTEM

Pennsylvania R. R. proper
Wabash
Long Island
Baltimore, Chesapeake & Atlantic
Norfolk & Western
Detroit, Toledo & Ironton
West Jersey & Sea Shore

Mileage	Outstanding Stock	Combined Assets
13,094	$714,246,400	$2,428,664,000

BALTIMORE & OHIO SYSTEM

Baltimore & Ohio proper
Reading
Jersey Central
Chicago & Alton
Buffalo & Susquehanna
Western Maryland
Ann Arbor
Lehigh & Hudson
Buffalo, Rochester & Pittsburgh

Mileage	Outstanding Stock	Combined Assets
8,838	$522,510,000	$1,964,580,000

C. & O.-NICKEL PLATE SYSTEM

Chesapeake & Ohio proper
Hocking Valley
Nickel Plate
Erie
Pere Marquette
Wheeling & Lake Erie
Chicago & Eastern Illinois
Bessemer & Lake Erie
Lehigh Valley

Mileage	Outstanding Stock	Combined Assets
8,107	$529,742,000	$1,746,863,000

GRAND TOTAL IN FOUR SYSTEMS

Mileage	Outstanding Stock	Combined Assets
37,892	$2,350,642,940	$8,085,442,000

Two of the New Autogyros Flying Over Lower Manhattan

Science Holiday?

SOME short-sighted economists, impressed perhaps with the difficulties in which the world now finds itself as a result of excess production and mechanization, have declared for a scientific holiday. "Let research and scientific progress be halted temporarily," is their dictum. In this they fall into gross error. For not only does future advancement of industry depend on scientific achievement but actual recovery from depression is concerned with new products, new markets and new processes to lift it from its depths.

The recovery of the metal markets is involved to no small degree in the work now being carried on in finding new uses for copper, lead, zinc, aluminum, chromium, stainless steel and innumerable alloys. As the aluminum steel wire supplants copper for certain transmission line uses where great strength and equal conductivity are required, the process for making copper hard as steel nears perfection and opens other fields. Steel continually finds new uses with the advancement of welding with gas or electricity. Oil seeks the solution of its present abundance in new products. Sugar and soon corn and even wheat may find a new outlet for their plentitude in industrial alcohol and other products. Our transportation problems cry for scientific solution. Air travel can only overcome its greatest barrier of human hazard by the application of scientific study. Great speed in aviation, as high as 300 miles an hour, has been attained. Navigation under adverse conditions has been improved but air travel on a mileage comparison basis is still many times more hazardous than any form of surface travel. Perhaps the autogyro, pictured on this page, may prove the solution. Apparently from tests made it is a vast step forward in overcoming some of the difficulties of present air travel. It offers great stability and can take off and land almost vertically. But its development and ultimate utility is still dependent on further scientific progress. Let the inventors and engineers press forward in all lines. This is an occasion for overtime, not holidays.

* * *

Sensible Buying

THE volume of retail buying at the holiday season is not yet fully known. In all probability it will prove somewhat smaller than last year although the post office reports an even larger total mailing. This fact, however, has come to light: Purchase of staple, utilitarian articles was proportionately much larger than luxury buying. This year's Christmas presents, in other words, revealed the practical touch. Of course, this is the sentiment pervading all retail purchasing in these times, irrespective of the holidays. A public satiated with so-called luxuries in recent years has naturally found it easy and desirable to confine their new wants to the essentials; and doubtless the same attitude will apply to purchasing even after general business recovery is well under way. Moderation will characterize the period ahead and those industries producing the necessities of life will no doubt continue to get the lion's share of coming prosperity.

* * *

Good News for Steel

THE investor who visualizes the growth of the steel industry in the next ten years on a scale even larger than that recorded by the tremendous expansion since 1920 will find genuine cause for optimism in the frequent appearance nowadays of new overhead drives and express highways for traffic, and elevated passageways for pedestrians. The recent opening for traffic of one section of the great overhead automobile drive in New York—through the heart of congested traffic in the Hudson River shipping and dock area—is one more important step in this direction. It means much for the future of the steel industry; and in time, for the alloy and corrosion-resisting divisions of the steel market, as the value of such products becomes more generally recognized. Our leading cities throughout the country appear to face an era of rapid expansion in the number of overhead bridges at street crossings, of elevated traffic routes and of traffic signals. A growing demand

Things To Think About

for greater car speed, and at the same time, a tendency for traffic to congest at leading business street intersections will force reluctant municipalities to meet this pressing problem both effectively and promptly. More one-way streets and a large increase in the number of traffic signal lights appears only a matter of time; and yet with all these devices, the number of accidents to pedestrians in the business centers is increasing each year. Safety platforms in the highways have been tried, and often themselves prove a source of accidents; the real solution—and not likely to be long delayed—appears to be a system of overhead sidewalks, particularly at important street intersections and along leading thoroughfares. Not only will the steel industry benefit by this vast new potential market for its products, but real estate rental values should also be enhanced. Merchants will welcome the opportunity to display their goods on the second floor, and even the third, as well as on the street level where present peak rentals are paid. And as for the cost of such overhead walks—the added sales and business stimulation, along with higher building rental values, should defray a major part of such added construction and maintenance costs, not to mention the material contribution to the safety of the general public.

* * *

Not as Easy as Before

SPLIT-UPS, stock dividends and generous capitalizations have contributed to a very wide distribution of well-known corporate issues that makes for market stability. And of course it is true that a stock fluctuates less widely in price when there are outstanding, let us say, 10 million shares than when only 300,000 is outstanding. It also follows that widely held stocks are less susceptible to control which is of course desirable under many circumstances; but not when banking support is needed to stem the tide of a falling market. Not long ago the bankers could step into a demoralized market and acquire a third or even a half of pivotal issues and effectively check a decline of serious proportions, but today such a procedure entails the acquisition of literally millions of shares and the concerted action of a large group with enormous resources, such as that called into being temporarily in 1929. The difficulty of forming such an aggregation is perhaps one reason why banking support has been less conspicuous than might have been expected during recent drastic liquidations. Wide distribution, when it involves an unwieldly number of shares, is a doubtful blessing.

* * *

Natural Gas Growth

UTILITIES engaged in natural gas production or distribution are among the strongest groups in the industry from the standpoint of long range profit prospects. The fact that natural gas lines are spreading themselves into new fields in many parts of the country is of course, well known to everybody, but more extensive supplies are continually being found and an increasing number of industries are adapting this form of fuel particularly in the West where coal is less abundant.

* * *

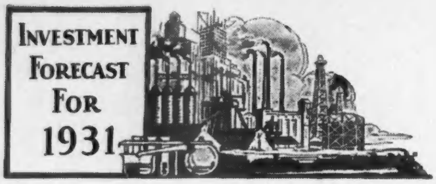
Making Sales by Making Goods

A BIG manufacturer in a small town tells us of the object lesson he had in the relation of production to buying—and what came of it. Because of lack of orders he had to close down the factory. Immediately sales at the local stores fell off disconcertingly. The longer the factory was down the lower sales fell. Consulting with fellow manufacturers he found that they all had shut down or curtailed production until buying should pick up. But how could buying pick up if it had to start with the ultimate consumers, who were out of work, money and credit all over the country? Manifestly, he thought, the factories will have to resume before buying can. Why not start production and create buying power on faith that the latent demand for goods must be intense after a year of curtailed buying, thus putting the production cart before the demand horse? So, he bought raw material, which caused other factories to resume operation and revive payrolls; they in turn had to place orders that stimulated business and employment in other directions. Then he turned on the power and called his men back to work. Business in the local stores picked up immediately. In turn they have had to buy from wholesalers and manufacturers. Our manufacturer hopes to start a series of endless chains, with the assistance of thousands of other starters. If the idea fails to be contagious he probably will be caught with full stocks in two or three months and no outlets. If the idea takes, he will be ready for the general business revival that will surely follow. If it does not, he will still have a chance to win on the possibility that the contraction phase of the business cycle will be wearing itself out by Spring, which seems likely. In any event he is on the right track and in his constructive effort seems to have the odds in his favor by at least two to one.

* * *

A New Crop

THE great staples, wheat, corn and cotton have contributed most to the farmers, discomfiture in recent past years. As a result of their relative abundance, as world at large recovered its productive facilities, farm income has been at unfavorable levels. The year 1930 has been particularly disappointing with a drop of some 16% below 1929 in the money returned to the farmer from the sale of agricultural products. The argument for the diversification of crops, therefore, becomes increasingly potent and in this connection it is interesting to consider the possibilities in flax, one of our oldest American crops. It is adaptable to most of the temperate climes, can be grown and harvested by modern machinery and should find a ready market. The prison industry in the State of Oregon sold some $300,000 worth last year, netting $97,000. We now import 80% of our linens from abroad. If we can produce our own flax and manufacture it into linen we will have achieved a new industry and contributed to agricultural diversity.



Improving Rail Prospects in 1931

By Edwin A. Barnes

CONDITIONS with which the railroads of the United States had to contend in 1930 were strikingly different from those prevailing except in the last two or three months of 1929. In contrast with an unusually high degree of prosperity and large volume of traffic, business was depressed to the lowest level since 1921 and both gross and net earnings of the railroads showed almost appalling decreases compared with the year before.

At the beginning of the year just closed most railway executives thought that business would pick up even before the end of the first three months and become good again by July 1. The records show how mistaken were such predictions. Big decreases in both gross and net earnings were reported each successive month. For the first ten months of 1930 compared with the corresponding period of 1929, the shrinkage in gross was $284,896,318, or 15.3%, and in net railway operating income $343,625,760 or 5.19%.

Rigid Economies

The loss in net would have been much larger except for the severe economies put into effect, particularly during the last half of the year. Several of the large systems and roads did not earn their full common dividends but paid the difference out of surplus. Others had only a small margin over the dividends, a few a comfortable surplus. With the exception of Chicago & North Western, which dropped from a $5 to a $4 annual basis on its common stock, all the important railroads maintained their regular dividends. Some extras were omitted. Continuance of regular dividends was in keeping with a policy informally agreed upon by the executives generally, in fairness to stockholders, to keep up credit and help the general situation.

While signs of material improvement in general business have been lacking, it is expected as the new year advances and there are numerous favorable possibilities ahead of the railroads. They are based largely on events in 1930, more especially those that occurred during the closing weeks of that period. Mention need be made only of a few that are outstanding.

Railway executives, at a general meeting in this city in November, adopted a policy and a program for 1931 which calls for more aggressive action on their part in the protection and defense of what they believe to be their rights, and fairer treatment on the part of all bodies clothed with supervisory and regulative powers with respect to the railroads. In fact, it was made known that the railroads would "fight for their rights."

Important Legislation

Gratification was expressed generally in railroad and banking circles over two recommendations of the Interstate Commerce Commission in its annual report to Congress in December. One called for the repeal of the so-called recapture clause of the Transportation Act. It provides that all earnings of the railroads for a given year in excess of 6% upon their investment in property shall be divided equally between the Government and the railroads. The former is to retain its share to help weaker lines, while the railroads are supposed to re-invest their shares in their properties. The other recommendation called for legislation that would give the I. C. C. practically the same supervisory and regulative powers with regard to the motor bus and motor truck that it has over the railroads.

The effective date of the lower grain rates ordered by the I. C. C. on western roads has been postponed to July 1. The carriers intend, if necessary, to bring injunction proceedings to restrain the Commission from putting the rates into effect at all until their reasonableness can be determined by the courts.

On the other hand, in response to a suggestion by chairman of the Commission to a committee of western railway excutives, the latter have filed with that body a list of measures, which if adopted, they are confident would increase the revenues of the western lines materially.

There is a fair chance of favorable action being taken on some of these suggestions. It is doubtful that increases in freight rates will be granted in the near future.

While there has not been a loud clamor from any source for general railroad consolidation, much importance has been attached to the reaching of an agreement by executives of the eastern roads discussed elsewhere in this issue.

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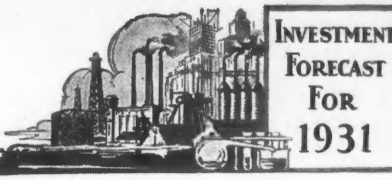
Sound Rail Stocks

Issue	Recent Price	Dividend Rate	Yield %
Atchison, Topeka & Santa Fe...	176	$10	5.67
Chesapeake & Ohio..............	40	2.50	6.30
New York Central...............	115	8	7.00
Norfolk & Western	200	10*	5.00
Pennsylvania	58	4	6.90
Southern Pacific	96	6	6.30
Union Pacific	180	10	5.60

* Plus extras.



Utilities Show Strength and Promise

By FRANCIS C. FULLERTON

COMING as a climax after almost a decade of amazing growth, the year 1930 was one which held particular significance for the public utility industry. Indeed, the year provided a test in more than one way because together with the rather severe depression in general business activities throughout the country came a renewed surge of political agitation. The first had a direct effect on the industry tending to slow down the normal growth, but the second as yet is only a vague threat, more in the nature of cumulus clouds gathering, perhaps, to herald something more important later on.

Marketwise, the equity shares of the public utility companies suffered with the rest of the stock market. To some extent, this reflects the uncertainties inherent during all periods of depression, but in the case of the utility stocks particularly, the drop is a result of the more conservative valuation placed on them in relation to their earning power. The appraisal in the current market ranges from 10 to 14 times the earnings, against 30 to 40 times the earnings during 1929.

Growing Earnings

Despite the severe depression in business and industrial activities, the utility companies as a whole were able to report an increase of about 3.3% in gross earnings over 1929, the latter itself by all previous standards a banner year in the industry. The net income, i. e., gross less operating expenses and taxes, was 2.3% above 1929. If comparison is made with the year 1928, then the 1930 gross increased 7%, while the net was 20.7% higher. There are evidently inherent within the industry, therefore, characteristics which make it depression resisting.

A differentiation among the various systems and among the different geographical sections of the country, however, will reveal that results were not uniform throughout. Depressed industrial conditions affected sales in this department. which were down about 5% from 1929, although from an income standpoint this was offset to a large extent because rates automatically move to a higher bracket with lower consumption of current. Systems operating in the industrial sections of the country, therefore, showed an appreciable drop in output, but net income held up relatively well.

On the other hand, commercial sales of electricity increased 6.3% over 1929, but the real surprise came from the residential division with an increase of 13.7%. While these gains are in part due to the addition of new customers, 113,769 commercial, and 590,550 domestic, the greater use of electricity per customer was largely responsible. The average annual consumption per residential customer, for instance, increased 10% from 493 kw.-hrs. to 542 kw.-hrs. accompanied by a decrease in average revenue per kw.-hr. of 4.4% from 6.39 cents to 6.10 cents. The feature of the year was the large gain in the use of domestic appliances, the direct result of intensive campaigns by the utility companies.

Domestic Consumers Grow

The gas branch of the industry displayed much the same tendencies as the electrical branch. The sales and revenues from manufactured gas were slightly better than in 1929, while natural gas showed a small decline. Domestic uses showed their stable characteristics, but industrial sales dropped some 8%, indeed, in some sections as much as 15% from the 1929 levels. The large scale expansion in natural gas transportation facilities continued during the year, and although sales marked time during this period, an industrial revival should result in large increases in demand. As time goes on, natural gas will be served in an ever widening area, displacing or supplementing while it lasts manufactured gas.

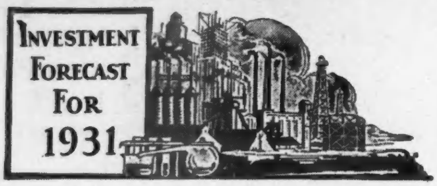
In connection with the political aspect of the public utility question, there is an unmistaken trend toward closer regulation, but as indicated in the President's message to Congress, this function is one belonging to the various state commissions rather than to the Federal Government. A large part of the market for utility services is competitive, especially the industrial and commercial divisions where large individual customers can with reasonable economy supply these services or their equivalents themselves, if the rates of the utility companies are not attractive. In the electric branch, these divisions account for 69% of the total revenues against only 31% from domestic service.

Looking ahead in 1931, the industry will probably hold its own during the first half, but as general business and industrial activities pick up momentum perhaps later in this year, the utilities will be among the first to benefit. The outlook over the longer term is attractive and the stocks as a group merit the investor's attention.

Outstanding Utility Stocks

	Earnings 1929	Earnings 1930	Price	Dividend	Yield %
Consolidated Gas	$4.75	NF	80	$4.00	5.0
National Power & Light	2.17	$2.22(1)	32	1.00	3.1
North American Co.....	4.82	4.63(1)	60	10% st.	10.0
Public Service of N. J.	3.93	4.16(2)	70	3.40	4.9
Standard Gas & Electric	6.59	NF	56	3.50	6.2

NF—No figures available. (1) Twelve months ended September 30. (2) Twelve months ended June 30.



Steel Awaits Business Revival

THE advent of the new year finds activity in the steel industry at an extremely low level. The evidence at hand, however, suggests that the force of normal seasonal influences will motivate a gradual but definite upturn in production of sufficient momentum to carry into early Spring. Delayed orders for rails and increased seasonal production of automobiles are likely to provide the bulk of the business during the opening months, augmented later by construction and pipe line demand, as weather conditions permit the resumption of activities in these fields, on a larger scale. Any prediction, on the other hand, as to the ability of the steel industry to sustain increased activity at a relatively satisfactory rate in subsequent months is difficult to make without liberal reservations. The recovery of general business from the throes of depression is likely to be very gradual, and in the early stages the minor consequences will have but slight affect upon an industry as vast as that of steel manufacturing.

Railroads, building construction, automobiles and construction of pipe and storage facilities account for about two-thirds of the total consumption, with the balance distributed among manufacturers of tin containers, electrical equipment and machinery. Inventories in the hands of consumers are unusually light but it is to be doubted that the actual requirements of the railroads and automobile manufacturers will be materially greater than in 1930. Building construction, particularly in the public works division, may be given some impetus by emergency programs but in many sections of the country there is still an oversupply of housing. Demand emanating from manufacturers of electrical equipment, farm equipment and machinery can hardly be expected to be heavy prior to a definite improvement in business. A number of important pipe line projects will be undertaken this year and others will doubtlessly be announced as the year progresses.

Stabilized prices, admittedly, would do much to improve the industry fundamentally and mitigate many of the undesirable competitive evils which have been a trying handicap. Continued progress, or the lack of it, in that direction will afford an important barometer of the general state of the industry. For the present, however, relative improvement in production and demand, ushering in the first quarter of the year, appears to be the best that is assured and a full measure of the industry's prospects must be deferred until the test which will come with the summer months has been met.

Representative Steel Stocks

	Recent Price	Dividend	Yield %
Bethlehem Steel Corp.	51	6.00	11.8
American Rolling Mill	31	2.00*	6.7
Inland Steel	60	4.00	6.7
McKeesport Tin Plate	71	4.00*	5.6
U. S. Steel Corp.	140	7.00	5.00

* Plus extras.

Only the Strongest Oils Favored

THE year 1930 was a critical period for the oil industry. The general business depression made itself felt in a lessened demand for many petroleum products and the bad effects of this were further accentuated by a state of cut-throat competition in many parts of the country. Overproduction continued to be given as the principal cause of the trouble, although, proration of crude oil production and curtailment in refinery operations met with a considerable measure of success. The legality of laws tending to prevent oil wastage were sustained by the courts in various states and President Hoover in a recent speech stated that he favored an inquiry into the operation of the "anti-trust" laws insofar as they prevented agreements for the conservation of natural resources. That the producing side of the industry has made progress despite obstacles is evidenced in that crude oil production for last year will undoubtedly prove to be very materially under that of the year 1929 and probably considerably under the production of 1928. Stocks now on hand are materially below those at the end of 1929.

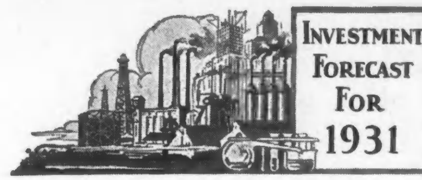
There has been no little difficulty arising from excessive marketing facilities. Competition in gasoline sales is acute and profit margins extremely slender except for certain of the strongest leaders. Some of these have been far-sighted enough to widen the scope of filling station merchandising to include the selling of tires, batteries and refreshments and the offering of telegraphic facilities. It is yet too early to gauge the possible effects of these developments but they can hardly be anything but a stabilizing influence.

Summing up then it may be said that although the outlook for the oil industry is by no means devoid of hope there still remains room for further great improvement. The near term uncertainty should be taken as a warning to concentrate investment holdings only among the strongest units in the field where survival is assured, and where profits are protected by broad diversity of operations.

Oils in Sound Position

	Recent Price	Dividend	Yield %
Standard Oil Co. of New Jersey	45	$1.00*	2.2
Standard Oil Co. of California	44	2.50*	5.7
Texas Corp.	30	3.00	10

* Plus extras.



Non-Ferrous Metals Depressed

THE copper industry in 1930 passed through one of the most hectic years of its entire history. Adamant in their determination to maintain the price level at 18 cents per pound, the leaders had been curtailing their outputs sharply only to have the smaller independents, the custom smelters, and the scrap copper refiners use this umbrella thus held up to their own selfish advantage by disposing of all the metal they could possibly produce. After the first quarter, when depression rapidly gripped all industrial activities, copper consumption experienced a sharp shrinkage and the position of the producers in trying to stabilize the price at the 18-cent level became untenable. When a free and open market again prevailed, the price sagged rapidly, reaching an extreme low of 9½ cents, but in November, in response to the curtailment agreement among the principal producers the price firmed up to 12 cents, subsequently easing off again to slightly above the 10-cent level.

The present price for the metal allows profits only to the lower cost producers. It is therefore only a question of time before a proper balance is again reached in the industry, either through the elimination of the marginal producers, or by a strong revival in demand. This latter does not appear very promising at the present time, and even if it did arrive, new sources of low cost copper are being developed which make the prospects of the marginal producers over the longer period anything but encouraging. Before any real revival is likely in the copper industry, the tremendous stocks now on hand, which have been accumulated steadily since the Spring of 1929, must be consumed and this in itself is a problem of major magnitude.

Lead and zinc, like copper, have felt the brunt of the industrial depression and have steadily weakened in price with levels near the low at the end of the year. Despite curtailment in production, stocks of both these metals have accumulated. Lead is probably in a better position to recover quickly with the resumption of normal industrial activity than either zinc or copper. But general industrial recovery is the only remedy for these metals and unless and until it comes, readjustment to lower demand will be a painful process. The current extremely low prices for the metal company common stocks reflect the difficulties into which these industries have fallen, but nevertheless the potentialities of considerable market appreciation should not be overlooked when general industrial conditions begin to manifest improvement.

Leading Non-Ferrous Metal Companies

	Recent Price	Dividend	Yield %
American Smelt. & Ref. Co.	39	4.00	10.2
Anaconda	27	2.50	9.3
Kennecott	22	2.00	9.1
National Lead	116	5.00*	4.3

* Plus extras.

Motor Industries in Slow Recovery

THE year 1930 was one of those off years which come to the automobile industry periodically, but from which it recovers only as general business throughout the country improves. The situation and the prospects of the motor car manufacturers for 1930 was described in detail in the preceding issue of THE MAGAZINE OF WALL STREET, and readers are referred to this article.

Concerning the automobile parts and accessory companies, the close association of this business with the automobile industry necessarily places them in somewhat the same category. The severity of the business depression, especially during the second half of the year, had a decided effect on the motor and accessory companies because to a considerable extent they cater to a luxury demand.

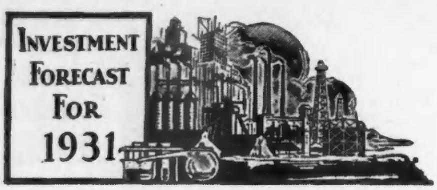
Activity in the automobile industry during 1931 will probably be somewhat above 1930, but from present indications it appears as if the first half of the year will be lower than the same period in 1930, but the second half is expected to be somewhat better than the second half of 1930. Improvement in the automobile industry will be reflected first in the parts and accessory business, because orders must be placed with these companies preceding the stepping up of operations by the automobile manufacturers.

The automobile tire industry touched its lowest level since 1924. Approximately 55,000,000 tires were consumed as against 71,000,000 in 1929. Original equipment business dropped off about 8,000,000, but strangely enough, replacement demand also dropped 8,000,000. An explanation of the latter is the longer life of tires resulting from steady improvement in quality of manufacture and from better roads, and to a considerable extent the tendency of the average car owner during periods of depression to delay purchase of new equipment as long as possible.

The tremendous slump in sales, price cutting and inventory losses, were disastrous to profits. Some of the smaller and weaker units are near the end of their resources and will no doubt pass out of the picture. Sales in 1931 should be better, and costs lower. The extremely low price of crude rubber, moreover, largely elminates inventory loss possibilities.

A Few Important Accessory Stocks

	Recent Price	Dividend	Yield %
Borg-Warner	19	1.00	5.4
Electric Autolite	50	6.00	12.0
Timken Roller Bearing	43	3.00	7.0
Goodyear	48	5.00	10.4



Mixed Prospects for Equipment Manufacturers

THE equipment industry comprises five major divisions—electrical, machine, agricultural, business and railway. Of these, manufacturers of electrical equipment appear to have fared the best in 1930 and should be the first of the group to reflect recovery in general business. The fundamental strength of the electrical equipment industry lies in its widely diversified character and its products are indispensable in practically every field of industrial activity, to say nothing of the vast market represented by every home wired for electricity. In considering the current outlook for the industry, it is to be borne in mind that the record volume of unfilled orders, which aided materially in sustaining operations in the first half of 1930, will be lacking this year. Nevertheless, it is to be doubted that the contraction in orders will approach a point sufficiently serious to impair the position of the leading companies, and while earnings reports may not compare favorably with last year, these companies are so well fortified financially and tradewise as to warrant complete confidence in their future prospects.

It is not impossible, however, to be as sanguine regarding the immediate outlook for the other four divisions. Machinery and machine tool manufacturers are suffering from a marked dearth of orders and sustained improvement, on the other hand, will require the impetus of rather widespread manufacturing activity. Economies in administration expenses have adversely affected manufacturers of office and business equipment and in this branch also, earnings are likely to be rather meager until business, as a whole, is well on the road to recovery. Export demand, an important item, is unpromising.

Sharp contraction in agricultural purchasing power both in this country and abroad is destined to restrict sales of farm machinery in the current year and average earnings may be substantially lower. Stocks in dealers hands are heavy and collections are slow, although the inventory and financial positions of most companies are satisfactory. Railway equipment manufacturers are confronted with continued curtailment of equipment purchases, until the downward trend of railway revenues is at least halted. Tank car and signal manufacturers are the most favorably situated.

A Group of Leading Equipment Companies

	Recent Price	Dividend	Yield %
Allis-Chalmers Mfg. Co.	35	$3.00	8.60
Amer. Machine & Foundry	32	1.40*	4.38
General Electric	46	1.60	3.48
General American Tank Car	61	4.00*	6.56
International Business Machines	150	6.00*	4.00
International Harvester	50	2.50	5.00
Westinghouse Elec. & Mfg.	94	5.00	5.27

* Plus extras.

Cigarettes Favored Branch of Tobacco Industry

THE tobacco industry has evolved into three distinct branches, first and most important of which is the manufacture of cigarettes, with the manufacture of cigars ranking second followed by the manufacture of smoking and chewing tobacco and snuff. In the aggregate these three divisions comprise an industry of major proportions and substantial earning power. However, the greatest measure of stability and earning power are enjoyed by those companies manufacturing the widely advertised brands of low-priced cigarettes. The chief reason for this lies in the fact that the phenomenal gains in the popularity and consumption of cigarettes have been made somewhat at the expense of other forms of tobacco.

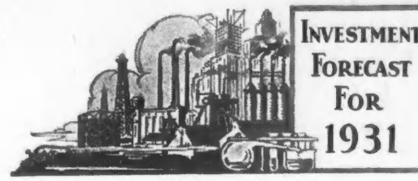
Contrary to the upward trend in withdrawals of cigarettes for consumption which was in evidence in each month of 1929 and all except one month in 1928, declines were registered in six out of the first eleven months of 1930. Aggregate production to the end of November, however, was slightly ahead of the previous year. The decline may be partially explained, at least, by the heavy withdrawals in 1929, prior to the advance in wholesale prices and it is probable that a good portion of cigarettes consumed during the past year was actually withdrawn in 1929. Consumption will undoubtedly continue, somewhat restricted by unemployment and adverse business conditions, but manufacturers, or at least those companies producing the popular brands, give ample promise of being able to sustain earnings at a satisfactory level. No change in present wholesale prices is contemplated and raw material prices are lower, although the latter advantage will be spread over a three-year term, it being the policy of tobacco companies to average costs over such a period.

Cigar manufacturers, on the other hand, are confronted with intensive competition and declining consumption. Present demand is chiefly for the five-cent brands, on which the margin of profit is narrow despite the economies of production made possible by machinery. Stability of consumption is a conspicuous feature attending the activities of snuff manufacturers, and there is little prospect of any serious reversal in their long record of favorable earnings.

Profitable Tobacco Companies

	Recent Price	Div.	Yield
American Tobacco	105	5	4.80
Liggett & Myers Tob. Co.	82	4*	4.90
R. J. Reynolds Tob. Co.	42	3	7.14

* Plus extras.



Public Construction the Bulk of Building

DESPITE the pronounced ease in interest rates, a condition calculated to benefit and stimulate construction activities, it is probable that complete figures for the past year will reveal a drop of about 20% below that of 1929 in the total value of building. When it is recalled that interest rates in 1929 averaged considerably higher, it is at once evident that the failure of the industry to fulfill expectations must be attributed to other causes. Chief of these was the overbuilt condition which existed, and still does, in many urban sections of the country. Demand has not absorbed the available space. Regardless, therefore, of the plentiful supply of funds, lenders are displaying extreme caution and are unwilling to provide money except for the most conservative projects.

The handicap of overproduction is particularly trying in the field of commercial and industrial building, and with little incentive to expand plant or office facilities in the face of unfavorable business conditions, improvement in this division is likely to be deferred until business recovery is well under way. On the other hand, concerted efforts on the part of the Government and municipalities to relieve unemployment by appropriating large sums for the construction of public buildings should aid in sustaining activity in this branch at a relatively high level.

One of the features of the building industry which has attracted considerable attention during the recent past, has been the improvement in residential construction, manifested, however, in the form of resistance to the general decline, rather than any appreciable gain. Overproduction of homes has had a longer period of correction but the force of this indication, however, is tempered by existing economic conditions, although with improved labor conditions and given the benefit of more facile financing methods, it is not unlikely that the trend will be toward betterment, although predictions as to when are perhaps presumptuous.

It is probable that manufacturers of building materials and equipment will continue to feel the effects of restricted demand throughout the first half of 1931, with results in the balance of the year subject to prediction only in the light of the then existing business conditions.

Representative Companies Affiliated With Building Industry

	Recent Price	Dividend	Yield %
Amer. Radiator & Standard Sanitary.	15	$1.00	6.70
International Cement	50	4.00	8.00
Johns-Manville	52	3.00	5.80
Otis Elevator	51	2.50	4.90
Warren Bros.	28	3.00	10.70

Chemicals will Respond to Improved Business

AT the present time the chemical industry is contending with excessive stocks of many chemical products and a somewhat weakened price structure. This is particularly true of the fertilizer division, where overproduction of both synthetic and natural nitrates has brought this extremely important section close to demoralization. The Chilean Government, however, has recently completed agreements with European synthetic producers and at the present moment has representatives in New York negotiating with the American nitrate interests. This is said to be the final step in the formation of the Compañia Salitrera National de Chile, the new $375,000,000 merger which will take in practically all of the Chilean properties and which is not unlikely to be instrumental in enabling the entire industry to regain a more normal basis.

Alcohol producers have been unfavorable affected by an exceptionally warm winter and other factors among which may be cited an unfavorable price "spread" between raw material and finished product. Government tests, recently completed, showing methanol not to be unduly dangerous when used as an anti-freeze mixture foreshadows an addition to that competitive group consisting of alcohol, glycerine and such patent solutions as "Prestone," for the cold weather protection of automobiles.

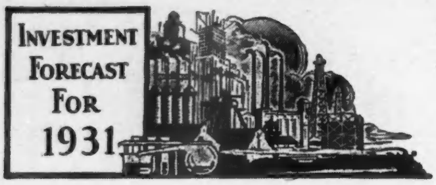
The progress made in curtailing oil refinery operations will probably result in a somewhat lessened demand for various chemicals. Likewise no great increase in the demands of the paper industry can be anticipated in the near future. On the other hand, there is a distinctly better outlook for the textile and tanning trades. The building and automobile industries also ought to show some improvement over last year and this will undoubtedly stimulate the demand for the very large number of chemical products entering into these activities. A greatly expanded employment of welding and cutting of steel should contribute to the prosperity of such companies as Air Reduction and Union Carbide.

Summing up it may be said that general prospects for the new year are relatively favorable. Seasonal causes should result in the first quarter of the new year being somewhat ahead of the last quarter of 1930. New developments, particularly with regard to chemical combinations under the influence of high temperatures and pressures, are sure to make rapid and profitable progress for the aggressive leaders.

Leading Chemical Companies

	Recent Price	Dividend	Yield %
Air Reduction Co., Inc........	100	$3*	3.00
Allied Chemical & Dye Corp....	177	$6*	3.40
du Pont de Nemours & Co., Inc.	91	$4*	4.40
Mathieson Alkali Works, Inc...	31	$2	6.40
Union Carbide & Carbon Corp...	60	$2.60	4.35

* Plus extras.



Food Industry Shows Stability

FOOD consumption is obviously less affected in a period of general business depression than the consumption of other commodities. Food is one of the prime essentials of life and the aggregate requirements are therefore determined largely by population levels. Indeed, the production and preparation of foods comprise the largest industry in the United States. The American public spends annually approximately $22,000,000,000 or one-quarter of the national income for retail foods in good times and bad.

Sharp-price declines were one of the outstanding features of the commodity markets in 1930. Farm products, for instance, dropped 29.4% on the average. These declines were gradually passed on to the ultimate consumer, and nearly all important lines from flour to dairy products and many brands of packaged goods were marked down. On the average, quotations on food products fell about 16.1% during the year.

Lower prices on foodstuffs, of course, does tend to curtail the profits of the companies, assuming the same percentage margin of profit, but this has been offset in many concerns by efficient management policies whereby various economies have been instituted. As a group the food companies were actually reporting larger profits than during the preceding year. Individual results, of course, varied with the different companies.

Among the meat packers, the "big four" had a more favorable year than 1929, but some of the smaller, more specialized companies suffered reverses. The outlook for 1931 is for operations and profits about on a par with 1930, although passage of the Consent Decree whereby packers could enter into the retail distribution of meat may possibly enhance these prospects. The bread baking division is still facing difficulties because of excess capacity, but with low current flour prices some improvement is in prospect. The biscuit and specialty bakers have shown a slight decline in sales but generally they are in a very strong position.

Packaged foods are assuming increasing importance as the trendtoward these continues upward. Quick freezing of fruits, vegetables, fish and meats is a new development holding considerable promise. Probably of all the food divisions, the dairy companies are the most nearly depression proof. The canning division was affected by lower prices, but adequate packs at favorable costs brightens the outlook for 1931.

Leading Food Stocks

	Price	Dividend	Yield %
Borden	66	$3.00*	7.5
General Foods	48	3.00	6.2
Gold Dust	31	2.50	8.1
National Dairy	38	2.60	6.8

* Plus 3% in stock.

Merchandising Faces Improving Trend

THE two principal factors affecting merchandising in 1930 were declining prices and sharply curtailed purchasing power on the part of the retail buyers. Both of these operated to reduce the volume of gross business done which in turn has an important bearing on the net profits. Results, of course, varied widely with the different types of organizations and different lines of retail merchandising.

Mail order business was influenced to a large degree by the unfavorable conditions prevailing in the agricultural sections of the country, where the majority of mail order customers are located. This was particularly noticeable in the second half of the year, and will probably carry over into 1931. To overcome the disadvantages of being too much tied to agricultural conditions, some of the leading mail order houses in recent years have expanded into the chain and department store field. Department and specialty stores, however, probably felt the effects of depressed business conditions this year more acutely than the other retail divisions. In both the mail order and department store field there were some companies financially strong and with exceptionally capable managements which did relatively well, but many were severely affected.

The most satisfactory results during 1930 were recorded by the general chain group. In the grocery field, many chains reported substantial gains in actual tonnage sales, although dollar sales were somewhat below 1929 because of the rather sharp drop in prices. The trend of the times is distinctly toward further development of chain organizations. The small retail store units are rapidly being displaced by larger stores handling in addition to groceries, also meats, vegetables, fruits, delicatessen and bakery products. To an increasing extent, chains are competing with each other as well as threatening the individual store owners. In the 5-and-10 cent to $1 field, reports generally were satisfactory, with profit margins well maintained.

Severe deflation has swept over the market prices of the merchandising shares in line with reduced earnings and the more conservative valuations placed on these equities. For the longer term, some of the issues offer considerable attraction, but some companies are in an overexpanded position and face further readjustment.

Leading Merchandising Shares

	Recent Price	Dividend	Yield %
Best	32	$2.00	6.3
Macy	84	3.00*	3.6 (1)
Sears Roebuck	45	2.50**	5.5 (1)
Woolworth	55	2.40	4.4

* Plus 5% in stock. ** Plus 4% in stock. (1) Cash yield.

Bonds Pointed for Higher Levels

Effects of Recent Drastic Declines Shaken Off as Conditions Favor Rise—Time of Opportunity for Prudent Buyer

By CARL WILLIAMS

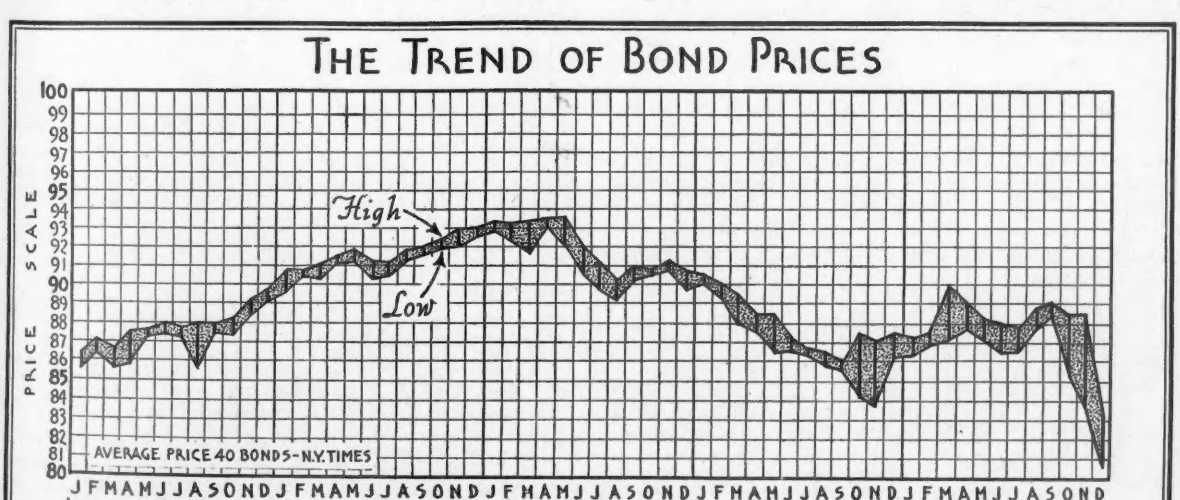
IN considering the bond market from the price angle, it is probably desirable to divide it into three sections—U. S. Government bonds, the world's premier security, which occupy a special position as bank and corporate reserves equivalent to cash—high grade and near high grade bonds which normally move with the time interest rates—and second and third grade bonds which move normally with the stock market and like stocks with the fluctuations in the earnings and credit rating of companies which issue them. There is also another group, the most recent additions in mass to our market place, the foreign government bonds which appear to fluctuate in accordance with American investors' interpretation of the news from Europe, South and Central America, Japan and Australia.

With the Money Market

In considering the "bond market," however, as distinct from the market for any individual bond issue, it is customary in financial circles to have reference chiefly to one of the above groups—the high grade domestic railroad, public utility and industrial bonds and their leaders the various state, municipal and local government legal issues and above all the U. S. Governments. It is normal for these bonds, about the security of which there is little question, to rise when time interest rates fall and to decline when time interest rates rise. The reason for this correspondence is that the same factor, increase or decrease of investment funds, which causes changes in interest rates likewise causes the changes in the demand and supply of high grade investment bonds.

As everyone is aware, we have had for a considerable period — since the market crash last fall in fact — easy money, both time and call rates being at an unusually low level, yet just lately, simultaneously with the new low in the stock market on December 17, average bond prices reached their low for the year 1930. Obviously an explanation is required especially as during the first three quarters of 1930, bonds generally trended upward nearly reaching the peak prices of 1928 although the general movement of stocks and low grades was in the opposite direction.

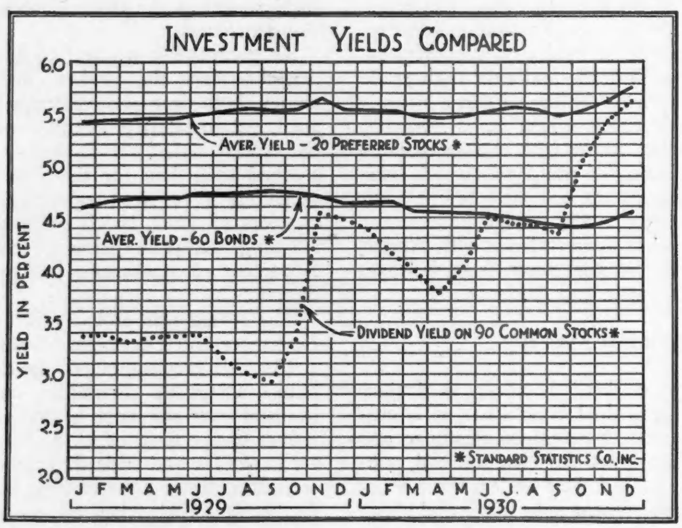
The reason was probably identical with the cause of the November and December crises in the stock market, financial trouble growing out of the depressed business situation. Banks, insurance companies, corporations and individual business men are large holders of investment bonds. The failure of the Bank of U. S. coupled with failures of country banks far and wide throughout the country both before and after, threw directly large blocks of high grades on the market at a time when buyers were scarce. The shock to confidence and the consequent desire of all bankers to maintain a highly liquid position in case of unexpected emergencies caused indirectly more selling of high grades and either hoarding of cash or concentration in Governments which are good for loans at the Federal Reserve Banks. Insurance



companies sold or decreased their buying to compensate for loans on policies and a sudden decline in new business which up to the fourth quarter had held up comparatively well. Corporations with drastic earnings declines have been recent sellers of bonds rather than buyers and individuals sold to supply needs for cash to register losses for tax purposes to protect stocks carried in loans, or even to purchase stocks at apparent bargain prices. Withdrawal of foreign funds from the New York market and window dressing for annual reports were also probable contributing factors to the recent unseasonable slump in good bonds.

Improving Trend

Although this article is concerned with the future rather than the past, it seems important to describe the immediately preceding status of the bond market for data which may throw some light on the events which we seek to anticipate. Everything now known leads to the belief that, although all of our financial troubles are not ended, we probably have witnessed the worst. In this belief, it seems a fair statement that a permanent improvement in the bond market, which normally precedes any improvement in business, is under way. With the waning of the panicky, emotional crisis that the financial community experienced in December and the critical year-end safely passed, banks and financial institutions are due to become more susceptible to the attractive yields obtainable on bonds of unquestioned soundness.



The huge sum annually disbursed in cash interest and dividend payments on December 31 will be of scarcely diminished proportions this year and can also be safely counted on to find its cautious way into good securities. It is a financial phenomenon often pointed out by economists that even in times of severest depression, the accumulation of liquid capital goes steadily on in this country and, for that matter, in nearly all countries not living on a mere subsistence level. This accumulating capital fund piling up in banks may in a time like the present remain idle, forcing minimum rates for short term loans while its owners decide upon its disposal. There is much evidence that this is the case today. As undoubted bargains multiply and fear declines, these funds begin to flow into the security and other property markets, circulation of money increases, prices rise and the upward phase of the business cycle begins.

Competition With Stocks

The recent rather violent drop in bond prices after a year of low interest rates is disturbing in that it implies that the recovery in business is likely to be a long drawn out process. It is well known that the bottom of a depression is an almost impossible time for corporations to secure needed funds by selling stock. Yet, after such a severe depression as we have suffered, there normally springs up a considerable demand for new capital and this demand accumulates, insofar as it can be postponed, until the bond market strengthens and new bond issues become salable on a more reasonable basis. Consequently, it is important to consider the extent to which the new attitude toward common stocks and especially the theory, now more widely held than formerly, of buying them at or near the bottom will limit the funds available for the bond market and thus postpone business revival. In the writer's opinion, this has been an important factor, that has perhaps already produced its major effect, in making the present depression the longest and most severe in many respects of any in the past half century.

It is normal according to our past experience, for high grade bonds to respond first to the pressure of accumulating savings and the disappearance of investor timidity. These in turn have in the past been followed by a rise in second grades, a rise in preferred and investment common stocks and finally the upward move in other equities and highly speculative fixed income (if any) securities. This is the general pattern of events we may logically expect to see in the near future with perhaps a lesser gap between the move of bonds and high grade equities to which investors are visibly clinging with considerable tenacity. It still remains a question whether the blue chips can be forced down to the relative level of, let us say the white chips, before business turns upward and sustains the confidence of holders in the correctness of their estimates.

With the curtailment of commodity purchases, savings are accumulating with some rapidity as evidenced by mounting savings banks deposits. The coming year can be expected to see a continuation of high pressure saving and accumulation of liquid capital available for security purchases. It should be a year in general of rising rather than falling bond prices.

Federal Reserve Influence

Such a prospect is powerfully reinforced by the recent action of the New York Federal Reserve bank in again lowering the rediscount rate, now down to the unprecedented low figure of 2%. The Reserve System is pledged to the maintenance of easy money as long as may be necessary and has abundant power with, as announced, some billion of dollars of free gold which means gold available for export, or transfer to member banks for whatever use they may have for it. Altogether, the gold reserves of the Reserve Banks and the U. S. Treasury on which our monetary and credit system is based total well over four billion dollars with another half billion or so in circulation. The financial and commercial community has enjoyed easy money so long that in a sense, repetition of the phrase has become monotonous. Superficially it seems to have accomplished nothing compared to what was expected from it. It is true that when no one wants to borrow short term funds on high grade collateral, it makes little difference what

the rate of interest is. Nevertheless, the knowledge that such a vast reservoir of credit is at any time available on the easiest terms is a powerful force, the potency of which will become more apparent as time goes on. Its effect, like the mills of the gods, may be slow developing, but none the less real.

The present situation may be contrasted to that in the summer of 1929 when dire predictions of the effect of tight bank money and a relatively high bank rate had likewise become monotonous and were contemptuously waved aside as mere prattle in the light of apparently more significant and visible facts. Now, even as then, this subtle factor of the price of sound credit based on gold is at work and even as then it is now only a matter of time before its potential energy is transformed into what physicists call kinetic energy and what the market converts into falling or rising security prices. Today it operates as an encouraging, upbuilding factor rather than a restraining one and constitutes probably the greatest material foundation for justified confidence in our economic future.

Gold and Gold Requirements in Close Race

(Continued from page 350)

ministered for the fancied good of the world—as viewed from the standpoint of a group of international bankers, who are not without private interests and personal ambitions that may conflict with national policy. They have, through an evolution of accomplished facts, already brought us far on the road to actual conflict with our stated policies.

Our great gold holdings gives us a commanding position in the world. They represent the result of national progress and superiority, and the power that flows from them should be wielded by national authority and direction. The same group that has taken unofficial charge of American participation in the International Bank is the same that was responsible for the tragic error of 1927 and the train of disasters which flowed from it. If it is following a wise policy its authority should be regularized, but it is high time that we ascertain just what it is doing, and why, and then determine whether our ostensible national policy should be adhered to or abandoned in favor of a new one. So long as the world's gold supply is precarious our first duty is to see that our own gold position is protected by sound administration at home and cautious commitments abroad.

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Recent Price	Current Income	Yield to Maturity
Atchison, Top. & S. F. Conv. 4s, 1955..	273.3	5.68	110	94	4.3	4.4
New York Central Deb. 6s, 1935........	630.2	3.90	110	106	5.7	4.5
Rock Island-Frisco Terminal 1st 4½s, 1957 ....(d)	....	X	102½T	97	4.6	4.7
Pennsylvania 5s, 1964	....	4.54	102T	104	4.8	4.8
Central Pacific Guar. 5s, 1960.......(a)	....	2.72	105 ('35) T	104	4.8	4.8
Great Northern Gen. A 7s, 1936......(b)	139.8	2.41	....	109	6.4	5.1
Illinois Central 4¾s, 1966..........	....	1.85	102½ ('36) T	95	5.1	5.1
Missouri Pacific 1st & Ref. 5s, 1977.(a)	94.6	1.70	105A	97	5.2	5.2
Chic. & W. Indiana 1st Ref. 5½s, 1962.	49.9	X	105	103	5.4	5.3
Southern Railway Dev. & Gen. 6s, 1956.	133.8	2.23	....	110	5.5	5.3
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 ....(b)	14.2	X	107½T	108	5.6	5.4
Nor'n Pacific Ref. & Impr. 6s, 2047.(a)	165.6	2.48	110 ('36)	111	5.4	5.4
N. Y., Chic. & St. L. Ref. 5½s, 1974.(a)	58.8	2.21	105	101	5.4	5.4
Balt. & Ohio Ref. & Gen. 6s, 1995..(a)	285.3	2.03	107½A ('34)	107	5.6	5.6
Wabash Ref. & Gen. 5½s, 1975......(a)	61.6	2.08	105A ('35)	95	5.8	5.8
Western Pacific 1st 5s, 1946........(b)	....	1.25	100	92	5.4	5.8
Central of Georgia Ref. 5½s, 1959......	30.9	1.57	105A ('34)	94	5.9	6.0

Public Utilities

Pacific Gas & Elec. Gen. Ref. 5s, 1942..	29.0	2.26	105T	103	4.9	4.7
Consol. Gas of N. Y. Deb. 5½s, 1945.(a)	191.1	5.40	106T	107	5.1	4.8
Columbia Gas & Elec. Deb. 5s, 1952....	....	4.62	105T	101	4.9	4.9
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.87	....	100	5.0	5.0
Utah Power & Light 1st 5s, 1944.......	....	2.83	105	100	5.0	5.0
Montana Power Deb. 5s, 1962........(a)	33.3	3.14	105T	100	5.0	5.0
Detroit Edison 1st & Ref. 6s, 1940..(b)	14.0	3.27	107½T	107	5.6	5.1
Hudson & Manh'n 1st Ref. 5s, 1957..(b)	5.9	2.76	105	98	5.1	5.2
Arkansas Power & Lt. 1st & Ref. 5s, 1956 ....(c)	2.0	2.45	105	97	5.2	5.2
Seattle Electric—Seattle Everett 1st 5s, 1939 ....(d)	....	1.93	105	96	5.2	5.6
Amer. W. Wks. & El. Deb. 6s, 1975.(a)	12.7	1.53	110	102	5.9	5.9
Northern Ohio Tr. & Lt. Gen'l & Ref. 6s, 1947, "A" ....(a)	8.4	2.20	110	100	6.0	6.0
Standard Gas & Elec. 6s, 1935.........	432.2	1.60	103	99	6.1	6.1
Standard Gas & Elec. 6s, 1966.......(b)	432.2	1.60	105T	97	6.2	6.2
New Orleans P. S. 1st & Ref. A 5s, 1952 ....(a)	9.7	1.32	104	85	5.9	6.3
Cities Service Pr. & Lt. Deb. 5½s, 1952	104.4	1.53	105	76	7.9	7.8

Industrials

Midvale Steel & Ord. Conv. Coll. 5s, 1936 ....(a)	....	4.77	105	101	4.9	4.8
Gulf Oil Deb. 5s, 1947 ....(c)	....	13.04	104AT	102	4.9	4.8
Allis Chalmers Deb. 5s, 1937........(a)	....	6.29	103T	100	5.0	5.0
Youngstown Sh. & Tube 1st 5s, 1978.(a)	....	6.86	105T	100	5.0	5.0
Sinclair Pipe Line 5s, 1942..........(a)	....	6.33	103	98	5.1	5.2
International Match Deb. 5s, 1947...(a)	....	9.81	109T	96	5.2	5.4
Amer. Cyanamid Deb. 5s, 1942..........	0.3	10.58	100	96	5.2	5.5
Purity Bakeries 5s, 1948..............	0.6	10.40	103½	91	5.5	5.9
Chile Copper Deb. 5s, 1947..........(a)	....	10.20	102T	90	5.5	5.9
National Dairy Prod. Deb. 5¼s, '48.(a)	....	12.74	105T	99	6.1	6.1

Short Terms

Humble Oil & Ref. Deb. 5½s, '32...(b)	....	13.59	102½A	101⅞	5.4	4.4
Smith (A. O.) 1st S. F. 6½s, 1933..(a)	....	34.45	101T	103	6.3	5.1
Middle West Utilities 5s, 1933..........	881.6	1.39	101½	94	5.3	8.0

Convertible Bonds

Atch., Top. & S. F. Deb. 4½s, '48..	Com.@166.6	5.68	102	112	4.0	3.3
N. Y., N. H. & Hart. 6s, '48.......	Com.@100	2.39	...	114	5.3	4.8
Baltimore & Ohio Conv. 4½s, '60....	Com.@120(h)	2.03	105	93	4.8	4.9
Texas Corp. 5s, 1944..............	Com.@70	18.08	102T	100	5.0	5.0
Chic., Rock Island & Pac. 4½s, 1960	......	2.19	105('36)T	87	5.2	5.4
Chesapeake Corp. Col. Tr. 5s, '47....	C. & O.@106	2.84	100	95	5.3	5.5
Amer. Inter'l Corp. Deb. 5½s, '49...	Com.@80	1.49	105	89	6.2	6.5
Inter'l Tel. & Tel. Deb. 4½s, '39...	Com.@63.9	3.07	102½	81	5.6	7.7
Assoc. Gas & El. Conv. 4½, '49 (K).		1.69	103T	66	6.8	8.1

All Bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100.

A—Calable as a whole only. T—Callable at gradually lower prices. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. (h) Convertible after February 1, 1931. (K) Convert. into 17½ shares of Class "A" stock.

READERS' FORUM

Progress

Although a pioneer in financial and investment educational activities through its Building Your Future Income Department, THE MAGAZINE OF WALL STREET has avoided crystalline policies which would prevent it from keeping abreast of the times and alive to changing conditions. In the earliest years, the interests of this department were focused upon the problems of the small investor. It has endeavored to serve that rather large section of the investment-minded public which then had inadequate experience and training to conserve their surplus income and successfully place their funds in sound investment mediums. In the meantime, public knowledge and familiarity with securities has grown, and the activities of the Building Your Future Income Department have expanded sufficiently in scope to comprehend the more sophisticated problems of its readers. Having thus outgrown its familiar label, the BYFI Department will henceforth be continued under the name READERS' FORUM, with a definitely broadened scope in its educational and technical investment articles.

In seeking its new field of broader usefulness the department will lose none of its desirable personal relationship with its readers. READERS' FORUM, as the name implies will be very much your department. Contributions relating to either your own investment experience or your views on current problems are welcome, and if broad enough in general interest will be published. Your suggestions, and the special subjects which would interest you most, are solicited.

Financing Stock Purchases

How a Call Loan Is Made—Loans by Brokers Are Desirable Investment Medium for Secondary Reserves of Banks—Part Played by Banker, Broker and Investor

By JOHN A. CRONE

IF stock tickers should fail to announce the call money renewal rate at the customary time of 10:40 A. M., the New York Stock Exchange would be flooded with telephone, telegraph, cable and personal inquiries from prospective borrowers and lenders all over the world. While the Executive Committee of the Stock Clearing Corp. debates the price of the call money renewal (as it has on several occasions in the past), speculators—both buyers and sellers—hesitate, because the call renewal rate sets the market rate for call loans, which are the life blood of the stock market.

Though the making of call loans appears to be an ordinary occurrence, many persons in Wall Street do not know how it is effected. Inquiries about the call money renewal rate announcement when the report is delayed, likewise, revealed a lack of familiarity with the "how" of this commonplace happening.

The actual making of a broker's loan requires the following: the assembling of funds from all parts of the world in New York; placing of these funds either at the money desk of the New York Stock Exchange or with money brokers or banks; furnishing and pricing of collateral for such loans; and the clearance of collateral and loans. Before these steps are taken, however, the call renewal rate must be set. The calling of a call loan, in most of its phases, is just the reverse of making such a loan.

If, when William Smith buys 100 shares of United States Steel common he does not pay for it in full, he puts up a "margin" or down payment with his brokers. Before his brokers, Jones, Brown & Co., can get these 100 shares of Steel they must pay the total market price for them to Thompson & Co., brokers, who are selling this Steel stock for Henry Black, owner of the shares. The difference between the amount of money Smith put up as a "margin" and the total cost of the stock must be borrowed by Smith's broker. Such a borrowing transaction involves the making of a call loan.

Rules of the New York Stock Exchange provide that Jones, Brown & Co. must have a sizable percentage of capital, in relation to the amount of margin business handled. Nevertheless, Smith's brokers could not tie up all or a considerable portion of their capital in a loan to him in order that he might carry on margin 100 shares of Steel common. Jones, Brown & Co., therefore, arrange to borrow the amount of money needed—the difference between Smith's margin and the total cost of the stock—to pay Thompson & Co.

The Stock Exchange member of Jones Brown & Co. goes to the money desk on the trading floor and asks for the names of lenders. After being told by the money desk

clerk, who happens to be James Blake, an employee of the Stock Clearing Corp., that White & Co. have money to lend the representative of Jones, Brown & Co. seeks the floor member of White & Co. and arranges for the loan.

Two pieces of paper change hands between the two brokers. White & Co.'s broker writes that the Twentieth National Bank will lend Jones, Brown & Co. a stipulated amount of money at the present interest rate payable on demand. Jones, Brown & Co.'s broker writes that his firm borrowed a certain sum of money, payable on demand, from the Twentieth National Bank at the present interest rate. Both brokers telephone their offices about the transaction, then report the loan to the money desk. The money clerk posts the rate of the loan on the blackboard behind his desk. To complete this call loan agreement, Jones, Brown & Co. will have to send satisfactory collateral to the Twentieth National Bank before they get the loan.

In this manner between $25,000,000 and $75,000,000 of new loans daily are arranged on the floor of the New York Stock Exchange under normal market conditions or about 60 per cent of all call loans made in this city.

Sources of Funds

Before this call loan could be made funds had to be assembled all over the world. Banks, corporations and individuals with money supplies above their current requirements sent such cash here, because it could be called back home when needed. Corporations no longer pile up huge inventories—thanks to the public's hand-to-mouth buying policy—so they put some of their increased cash account in the call market. Out-of-town banks in some sections, because of rapidly-changing and disturbed economic conditions, placed more of their assets in liquid or shiftable form, as is shown by the increased differential between their deposits and loans. Then the growth of time deposits require maintenance of smaller reserves than do demand deposits, so the difference between these two amounts of reserve can be placed in the call market.

The ability of lenders to move funds in and out of this city, virtually at will, results from the way transactions on the New York Stock Exchange are handled, and from the manner of growth of the banking system of the United States prior to 1914.

Most Stock Exchange dealings are settled in the "regular way," that is, delivery and payment on the following full business day. Smith, or rather his broker, receives the 100 Steel shares and Black gets his money for the Steel stock within 24 hours after the trade took place on the Exchange. This daily settlement system—which is in marked contrast to most world markets where delivery and payments are made weekly, fortnightly or monthly—requires the use of funds by the day only.

Under the National Bank Act of 1863 and its amendments, the banks of this country had to deposit in other banks a considerable proportion of their reserves. A bank those days, as now, had a certain amount of till money, but its secondary reserve, which had to be relied on when cash was demanded, was deposited in a bank in another city.

The result was the country bank placed some of its reserves in a city bank, which in turn, put some of its reserves in a New York City Bank. The latter bank then put such money in the call loan market, where the shiftability of funds made it possible to earn interest, yet be called quickly, instead of lying profitless in bank vaults.

The Federal Reserve Act lessened the dependence of out-of-town banks on this money market by: (1) Providing that deposits in New York City banks could not be counted as reserves of country banks (all member banks must keep all their reserves in the regional Reserve Bank), and (2) furnishing a channel for investing secondary reserves in United States Government securities and acceptances, both of which could be taken to the regional reserve bank and borrowed against.

Assembling the Funds

Before a loan agreement can be made between the respective floor members of Jones, Brown & Co. and White & Co., the loan officer of the Twentieth National Bank has to estimate the bank's loanable funds that day. Information from the New York Clearing House, from out-of-town banks, from corporations and from individuals showed the loan officer of the Twentieth National Bank how much he had to loan that day and that figure was telephoned to White & Co., who transmitted it to their floor member.

The broker lending the money, or acting as agent for the lender, receives no commission on the loan. Such a broker usually is one of the biggest customers of a bank and, accordingly, may be given time loans, running for 30 days or more at a low rate of interest, or his call loans may be last to be called. The broker borrowing the money, or acting as agent for the borrower, receives no commission on the borrowing, that part of the transaction being necessary to earn the commission for buying the 100 shares of Steel.

Until September, 1917, there was a money post on the Exchange floor, just like any stock post today. Borrowers and lenders gathering around the money post bid and offered money, just as brokers do stock today. The rationing of credit, a task of the Money Committee—a part of the Liberty Loan Committee—caused the money desk to be created during the war. The desk so accurately registered money demand and supply that when the Money Committee ended its control of the call money market January 10, 1919, the Exchange retained the money desk.

Before the floor member of Jones, Brown & Co. arranged to borrow money for Smith, he waited until the "renewal rate"—that is the price to be charged for that day on call loans being renewed — was announced, because "the renewal rate" is estimated so carefully by a group of money experts that both borrowers and lenders tend to use it as an indication of the market rate or trend of money.

Early each morning a Stock Clearing Corp. employee clips all news or (*Please turn to page* 389)

Money Desk on Floor of New York Stock Exchange

Employee Stock Ownership—Its Merits and Demerits

A Survey of Current Plans and Advice to Employee Investors

By Harrison Thompson

EMPLOYEE stock ownership plans were subjected to a severe test by the decline in security values during the past year. Although the different plans under which stocks are acquired by employees, vary considerably in the terms of payment and the prices at which they are made available, the underlying idea of all of the plans is to enable the employees to make their investment at an advantageous price.

The plans thus embody the principle of a bonus. From the employees' standpoint, his interest has been attracted to the plan by the prospect of sharing ownership profits rather than ownership risks. It is interesting to see, therefore, how the stock purchase plans stand up under analysis during a period of reduced earnings and declining stock prices.

Further comments, suggestions or criticisms concerning employee stock ownership are invited from readers, based either on personal experience or personal views relative to the advantages or disadvantages to the general scheme. Articles of merit on this subject will be published in this department in future issues.—The Editor.

The statistical tabulation presented on the following page, while not intended to be conclusive, nevertheless offers a fairly good cross-section of the various "types" of employee stock purchase plans adopted by representative corporations. Companies which offer preferred stocks or fixed income securities are included as well as companies which offer common stock to their employees. Naturally the fixed income paying securities offered greater price stability in the kind of market which we have experienced during the past year. Those plans in which the price was fixed considerably below open market prices, the employees' investment in fixed income issues still compares favorably with current market quotations.

Risks and Benefits

In the case of a capital stock acquisition plan, priced well below open market quotations, such as the American Telephone and Telegraph plan included in the accompanying table, the value of the privilege of stock purchase to employees still remains tangible in spite of lower market prices. Where the employees were offered stock purchase privileges at or close to the open market valuations which prevailed during the peak of the stock market boom, considerable depreciation of their investment is indicated at the prevailing quotations for the same securities. In this case, it might be said that the employees, assumed ownership risk, through the investment of their savings. The plan hardly turned out well as a "profit sharing" offer in the conventional sense of the term.

Employee ownership of stock has been characterized as a "revolutionary" change in the relation of capital and labor. During the past decade and particularly in the more recent years, practically every large corporation has worked out some sort of plan or other whereby their employees could become stockholder owners of the corporation — sharing with capital both the risks and the profits of the business. The impetus of this movement throughout industry in recent years has resulted in a combined investment, estimated at approximately one and a half billion dollars and participated in by a million and a half employees. Aside from the wide variation in terms and prices offered by these different plans, they all bear the basic characteristic of a profit sharing or bonus idea, worked out with special features that are designed to give employees special inducements to participate in the profits of their company that are not enjoyed by the public at large or by capital.

Judged in the light of recent market experience of employees with the various types of stock purchase plans, what conclusions can one arrive at concerning future tendencies in this development? In the first place, it is reasonable to anticipate that the participation in future plans will be made somewhat more cautiously and moderately than in the past. It is quite well known that the initiative for employee ownership of stock in many companies has come from the employees themselves, during the past few years, rather than from the management. Due to the popularity of common stocks for investment and the accumulation of savings available for investment, the response to most of the employee stock purchase plans was naturally more favorable than it could be expected to be under the market and business conditions that currently prevail. There has been quite a lull in the extension of the idea during the past year—a condition that will probably continue into 1931, or at least until there is an improvement in the stock market.

The next important consideration is the question of the desirability of purchasing stock of the corporation from which the employee obtains his primary source of income. To offset the advantage of sharing in the profits from his labors, the employee stockholder suffers certain tangible disadvantages. For one thing, the plan violates the principle of diversification. The capital of the laboring man is the earning power of his service. This contribution, he makes

(*Please turn to page* 390)

Summary of Employee Stock Purchase Plans, 1925 to 1930

Prepared by the Industrial Relations Section, Princeton University, December 1, 1930

Name of Company	Type of Stock Offered (a)	Present Dividend Rate	Bonuses Offered By Company	Employee and Market Prices By Years A—Employee Price. B—Market Price Range	1925	1926	1927	1928	1929	To Nov. 26 1930
AMERICAN TELEPHONE AND TELEGRAPH CO.	Com.	9% (c)	None	A B	121–125 145–130½	125–130 151–139½	130 185½–149	130 211–172	130–150 310–193	150 274–178½
AMERICAN TOBACCO CO.	Pfd. 6%	6%	$4.00 a year for 5 years	A B	103 110–104½	105 113–106	109 120–110	(b) 126–116	(b) 121–115	(b) 129–120
BETHLEHEM STEEL CORP.	Pfd. 7%	7%	$1.00 first year increasing $1.00 yearly to $5.00 in fifth year	A B	100 102–93	101 106–99	107 120–105	120 125–116	122 128–116¾	125 134–115
E. I. du PONT de NEMOURS & CO.	Deb. 6%	6%	$3.00 a year for 5 years	A B	92 104½–94	98 110–101	103 118–105½	111 121½–114	115 120–107½	114 123–114½
GENERAL MOTORS CORP.	Pfd. 7% (j)	7% (j)	$2.00 a year for 5 years	A B	99 115–102	114 122–113½	119 125½–118½	124 127½–123½	124½ 126½–112	(k) 119 131½–117½ (k)
INTERNATIONAL HARVESTER CO.	Pfd. 7% (l)	7% (l)	$2.00 a year for 5 years and 1% of wages; limits $10–$30 (l)	A B	108–110 121–114	110 129–118	110 139–127	110 147–136	110 145–137	(l) 146½–140½ (n)
INTERNATIONAL PAPER CO.	Pfd. 7%	7%	$1.00 first year increasing $1.00 yearly to $5.00 in fifth year	A B	90 99½–86	94 100–89	100 112½–96½	(w) 94 108–88 (w)	(w) 80 95–77 (w)	(x) (w) 86–39
NEW YORK CENTRAL RAILROAD CO.	Cap.	8% (o)	None	A B	110–115 137½–113	(p) 147½–117	(p) 171½–137	(p) 196½–156	(p) 256½–160	130 193–127½
PENNSYLVANIA RAILROAD CO.	Cap. Par $50	8% (q)	None	A B	(m) 55½–42½	(m) 57–48½	(m) 68–57	50 and (m) 77–62	(m) 110–72½	50 and (m) 86½–56
PROCTER & GAMBLE CO.	Com. par $20 later no par	$2.40	Profit sharing bonuses applied to purchase	A B	140–112 140–112	190–140 192–139½	250–179 250–177	294–250 300–249	(d) 499–282 98–43	(m) (d) 79–52½
PURE OIL CO.	Pfd. 6%	6%	25% bonus at end of plan	A B	 89–81	100 99½–86	100 101½–97	100 103–96	100 103½–96	100 99–82
STANDARD OIL CO. (INDIANA)	Cap. par $25	10% 3% extra and stock div. of 50% in 1929	50% at end of plan on payments deposited	A B	62 71–59½	65 70½–60½	68 81½–65	76 96–71	(e) 61 63–45 (e)	(e) 61–53 60–35 (e)
STANDARD OIL CO. (NEW JERSEY)	Cap. par $25	$1.00 and $1.00 extra	50% at end of plan on payments deposited	A B	35 47½–38½	40 46–37	37–35 41–35	37–41 60–38	47–53 83–48	63–69 85–49
STANDARD OIL CO. OF NEW YORK	Cap. par $25	$1.60	50% at end of plan on payments deposited	A B	45–41½ 49–40	(f) 45–32 47–30 (f)	(f) 32–30 34–30 (f)	(f) 36½–30 45½–29 (f)	(f) 43–40 48–32 (f)	(f) 43–28½ 40½–25 (f)
STUDEBAKER CORP.	Com. no par	$5.00 4% extra in stock in 1929	None	A B	(m) 69–41	(m) 62–47	(m) 63½–49	(m) 87½–57	(m) 98–38	(v) 47–18
UNITED STATES STEEL CORP.	Com.	7% 1% extra in 1929	$3.00 first year increasing $1.00 yearly to $7.00 in fifth year	A B	125 139–112	136 160½–117	(i) 122 160½–111 (i)	(i) 145 173–132½ (i)	(i) 165 262–150 (i)	(i) 169 199–138 (i)
WESTERN UNION TELEGRAPH CO.	Com.	8%	None	A B	.... 145–116½	120 158–134½	120 176–144½	120–130 201–139½	130 272–160	130 219½–131½
YALE & TOWNE MFG. CO.	Com. par $25	$4.00 4% extra in 1929 (t)	$4.00 a year for 5 years (u)	A B	65 70–62	75–67 72½–60½	82–74 84½–70	71–67 84½–61½	86–64 88–62	75–29½ 77–28½

(a) Par is 100 unless otherwise indicated.
(b) No later offerings.
(c) In addition, in 1930, rights to buy one share of stock at $100 were issued for each six shares held May 23, 1930.
(d) Five no par shares given for one old share (1929).
(e) After 50% stock dividend paid 1929.
(f) After 25% stock dividend paid 1926.
(i) After 40% stock dividend paid 1927.
(j) In 1930 the 7% preferred stock was made convertible into 1.35 shares of $5.00 no-par preferred stock if exchanged before 7/22/30.
(k) The employee price and market range here shown are those of the 7% preferred stock which was discontinued Aug. 1, 1930.
(l) In 1930 offering was made of no-par common stock at $75 a share.
(m) At market.
(n) Preferred stock range.
(o) In addition, in 1929, rights to buy one share of stock at $100 were issued for each thirteen shares held Nov. 15, 1929.
(p) No stock offered.
(q) In addition, in 1929, rights to buy one share of stock at $50 were issued for each eight shares held Dec. 7, 1929.
(t) Present rate $2 a year.
(u) Bonus discontinued on purchases after July 1, 1930.
(v) Plan discontinued.
(w) 7% preferred shares of International Paper Co. exchanged on a share for share basis for 7% preferred stock of the International Paper & Power Co. 1928 and subsequent offerings and ranges are of International Paper & Power Co. preferred stock.
(x) No 1930 offering to date.

Answers to Inquiries

The Personal Service Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. If you are a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. The inquiries presented in each issue are only a few of the thousands currently received and replied to. The use of this personal inquiry service in conjunction with your subscription to the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

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Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privileges of the Personal Service Department should be guided by the following:

1. ***Be brief.***
2. ***Confine requests for an opinion to THREE SECURITIES ONLY.***
3. ***Special rates upon request to those requiring additional service.***
4. ***Write name and address plainly.***

S. S. KRESGE CO.

How do you feel toward S. S. Kresge common at the present time? The market price of this stock seems so stabilized around 26 that I figure it would be comparatively safe to purchase 25 shares. I shall be guided by your counsel and consequently would appreciate a letter from you by return mail.—L. M. M., Flint, Mich.

Generally speaking, chain stores of the 5-and-10 cent to $1 variety, are least affected by depressed business conditions. However, when consideration is given to curtailed buying power of the public, due to unemployment and sharp declines in commodity prices, it is not surprising that operations of S. S. Kresge Co. during 1930 were less profitable than those of the previous year. Total sales of the company's 645 American and 31 Canadian stores for the first eleven months of 1930 amounted to $126,371,648 or approximately 4.5% below combined sales of $132,085,718 for the corresponding months of the previous year; domestic and foreign units numbering 597 at the close of 1929. Net income for the nine months ended September 30, 1930, amounted to $9,682,954, equivalent after preferred dividend requirements to $1.73 a common share, compared with net of $10,834,710 or $1.94 a share for the first three quarters of 1929. Improvement in profits during the final quarter, if any, is likely to be slight, with the result that full 1930 returns will not equal those of $2.68 a share for 1929. Nevertheless, full year's dividend requirements of $1.60 a share will be covered by ample margin. The company ranks as the second largest enterprise in its field and we believe that any improvement in general business conditions should be reflected in larger sales during ensuing months. While we do not anticipate any marked enhancement in quoted values for its shares during the immediate future, the issue offers a liberal income return, and on this basis we believe moderate commitments are justified for long term holding.

CONTINENTAL CAN CO., INC.

Continental Can common looks like a buy to me under 50. I have hesitated to make this commitment, however, after reading some comment on the unfavorable effect which merchandising of frozen foods may have on the business of can manufacturers. What is your opinion in this matter?—T. R. S., Clifton, N. J.

Continental Can Co. ranks as the second largest enterprise engaged in the production of tin containers in the world. The company has carried on an extensive expansion program during the past two years, increasing the number of manufacturing units to 36, with a plant in Camden, N. J., under construction to take care of the container requirements of Campbell Soup Co. Its foreign properties were enlarged by virtue of the acquisition of a substantial stock interest in Metal Box & Printing Industries, Ltd., the largest English producer of tin containers. Earnings record of the company reveals annual increases in each year, except 1926, since 1924, with 1929 results establishing record levels. Although no interim reports were published last year, it is believed that, despite general business recession, net income should compare favorably with that of $5.02 a common share reported for the year previous. It is extremely difficult to

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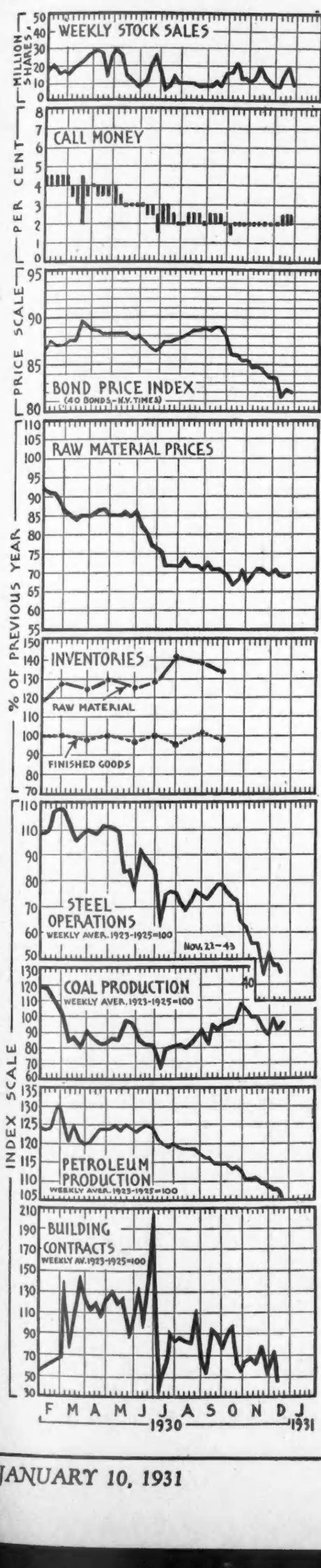
The Magazine of Wall Street Indicators

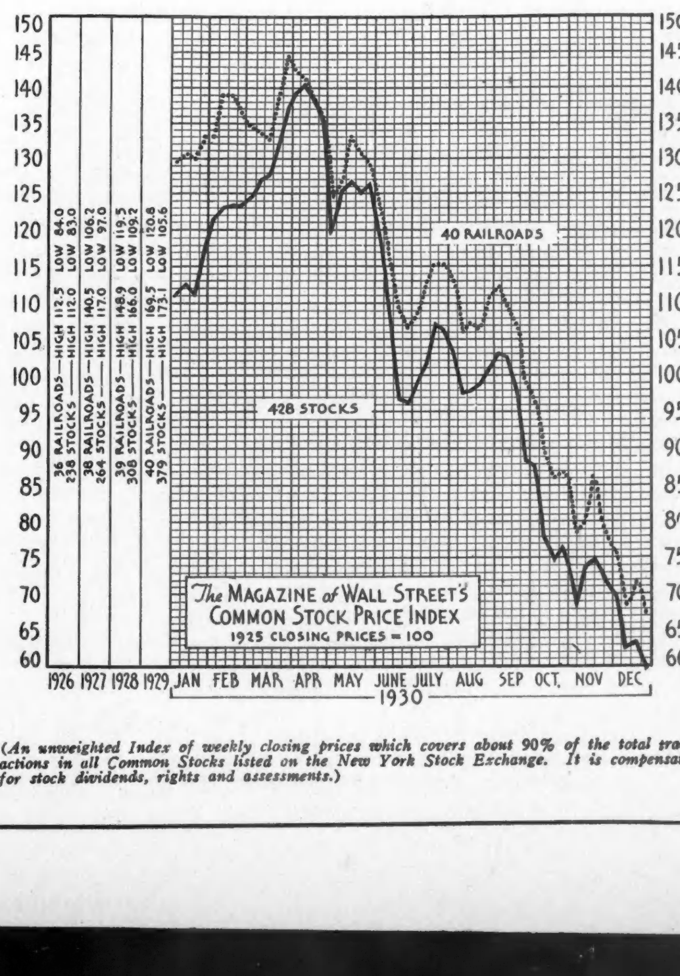
Business Indexes



Common Stock Price Index

Number of Issues in Group	Group	1930 Indexes (428 Issues) High	1930 Indexes (428 Issues) Low	Recent Indexes Dec. 20	Recent Indexes Dec. 27	1929 Indexes (379 Issues) Close	1929 Indexes (379 Issues) High	1929 Indexes (379 Issues) Low
428	COMBINED AVERAGE	140.7	59.9	63.4	59.9*	109.0	173.1	88.9
3	Agricultural Implements	404.5	105.7	122.0	105.7*	258.0	655.5	210.0
3	Aircraft (1927 Cl.—100)......	153.1	35.4	42.5	35.4*	86.0	307.1	78.0
8	Amusement	272.0	85.6	94.4	85.6*	129.6	268.0	118.5
22	Automobile Accessories	118.1	46.2	49.2	46.8	84.2	212.6	74.8
18	Automobiles	78.4	24.5	26.4	24.5*	54.2	134.9	44.0
3	Baking (1926 Cl.—100)	74.2	23.8	26.6	23.8*	43.4	96.3	33.4
2	Biscuit	248.1	179.6	188.3	179.6†	189.9	267.0	149.3
5	Business Machines	262.7	123.5	130.1	123.5*	219.4	385.8	166.4
2	Cans	226.0	151.8	159.8	153.0	171.9	273.5	130.8
9	Chemicals & Dyes	248.5	123.4	133.1	123.4*	220.4	363.9	163.9
4	Coal	107.9	34.4	34.4*	34.9	83.8	124.0	61.1
16	Construction & Bldg. Mat....	121.8	46.2	49.2	46.2*	82.4	145.4	61.5
13	Copper	211.7	67.0	69.0	67.0*	194.4	391.5	171.0
4	Dairy Products	125.1	80.7	83.9	80.7†	86.5	146.0	61.6
10	Department Stores	51.6	20.4	22.3	20.4*	38.0	86.5	33.6
9	Drugs & Toilet Articles	142.0	79.4	83.8	79.4*	128.6	199.2	104.5
8	Electric Apparatus	239.1	114.9	121.0	114.9*	172.9	298.5	120.2
3	Fertilizers	54.4	13.7	14.4	13.7*	40.8	121.4	32.2
2	Finance Companies	148.4	68.5	73.9	69.7	101.4	213.9	74.1
4	Furniture & Floor Covering..	119.2	30.1	32.3	30.1*	109.2	209.3	86.4
6	Household Appliances	92.5	28.6	32.8	28.6*	57.3	110.8	53.4
4	Investment Trusts	184.9	58.9	64.9	58.9*	125.7	406.2	90.9
3	Mail Order	170.0	51.5	64.9	51.5*	132.6	418.6	126.8
4	Marine	88.8	28.9	32.2	28.9*	62.2	98.7	53.8
3	Meat Packing	58.4	30.9	31.6	30.9*	54.2	104.4	43.8
45	Petroleum & Natural Gas.....	142.5	50.9	53.6	50.9*	106.7	171.7	92.0
6	Phono. & Radio (1927—100)..	175.2	36.8	39.7	36.8*	129.6	321.1	98.6
23	Public Utilities	305.0	141.1	149.4	141.1*	224.9	388.4	160.7
11	Railroad Equipment	115.4	55.5	59.5	55.5*	99.2	136.1	83.8
40	Railroads	144.5	67.1	71.5	67.1*	129.0	169.5	106.1
3	Restaurants	153.1	78.9	83.9	78.9*	127.2	180.5	97.7
2	Shoe & Leather	116.5	45.8	49.0	45.8*	79.4	178.3	64.1
2	Soft Drinks (1926 Cl.—100)..	246.5	150.8	159.9	150.8*	198.4	244.0	154.4
15	Steel & Iron	146.5	61.4	64.8	61.4*	117.3	173.4	96.6
6	Sugar	45.1	12.2	14.2	12.2*	39.7	81.6	39.2
2	Sulphur	268.7	163.0	173.7	163.0†	214.0	295.2	146.0
3	Telephone & Telegraph	177.2	92.6	98.3	92.6*	167.8	252.3	135.6
6	Textiles	70.5	21.1	22.9	21.1*	49.9	128.5	41.5
8	Tire & Rubber	39.0	10.9	11.7	10.9*	25.6	111.4	24.4
13	Tobacco	107.3	57.5	60.0	57.5*	83.4	184.6	74.0
5	Traction	103.5	63.2	69.4	66.6	65.2	140.4	51.9
2	Variety Stores	88.7	66.5	69.2	66.5*	88.7	138.8	67.9

* New LOW record since 1928. † New LOW record this year.



(An unweighted Index of weekly closing prices which covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments.)

accurately gauge prospects for 1931; but with nothing to mar the outlook for the food packing industry, as a whole, operations should be maintained at current levels. Financial position is excellent with substantial cash reserves. While marked enhancement in quoted values for its shares is not an immediate prospect, the issue is reasonably priced in relation to probable 1930 earnings, and we recommend moderate commitments for holding over a reasonable period.

INTERNATIONAL BUSINESS MACHINES CORP.

What is the outlook for International Business Machines common? It is my understanding that this company should issue a good report for the last quarter, benefiting through the taking of the 1930 census. Do you think it would work out profitably to buy ten shares under 150? I already have ten at 190.—E. J. F., Peoria, Ill.

International Business Machines Corp. ranks as the leading enterprise in the office equipment field. The company's products include tabulating, time and cost-keeping machines, counter scales, meat and coffee grinders and slicing apparatus. Its domestic plants are located in New York, Ohio and the District of Columbia, while foreign operations are carried on in three plants located in Canada, Germany and France. In addition the company maintains sales agencies in practically all important commercial centers of the United States, Canada, Europe and South America, through which distribution of its products is accomplished. Prospects for expansion during ensuing years in Europe and South America are said to be excellent. A brief review of the company's earnings record reveals a steady growth of net income since 1921, with good prospects for full 1930 returns establishing new record levels. Net income for the nine months ended September 30, last, amounted to $5,474,426 or equal, after interest, depreciation and taxes, to $8.58 a share on 637,954 common shares outstanding. This represents an increase of 11% over net of $4,914,722 or $8.09 a common share on a smaller capitalization for the same period of 1929. The company's financial position is strong, with current assets amounting to $10,898,031, as of September 30, 1930, against current liabilities of $2,657,887, leaving net working capital of $8,240,144. We are favorably disposed toward its shares, and would not be opposed to moderate commitments during periods of market weakness.

INTERNATIONAL TELEPHONE & TELEGRAPH CORP.

It was encouraging to have International Telephone & Telegraph declare the regular quarterly dividend on the common stock payable January 15. Can this be taken as an indication that the dividend is secure? I have 50 shares of this stock which average me 89. Shall I continue to hold in view of the unsettlement and depressed conditions in many of the countries in which this company operates?—M. M. K., Gary, Ind.

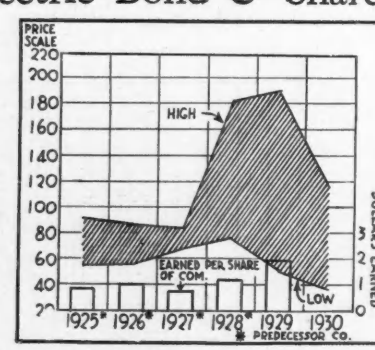
From a relatively unimportant holding company in 1920, International Telephone & Telegraph Corp. has rapidly expanded its facilities and operations in the past decade, with the result that it is now regarded as the second largest enterprise in the communication field. Operations are international in scope, as the name implies, with properties located in Cuba,

(*Please turn to page* 380)

(*Continued from page* 355)

Electric Bond & Share Co.

NO one group of men now active has had so much to do with the development of accepted financial, operating and engineering policies in the electric power and light industry as the present management of Electric Bond & Share Co. The same general principles of diversification, reinvestment of earnings, and pioneering development are being followed in 1931 as have been pursued ever since the predecessor of the present corporation was organized years ago as a subsidiary of General Electric Co. Anyone who has faith in the future growth of the utility business in North and South America can enthuse about this company's common stock now that it is down from a high 118 last April to around 45. As the directors are committed to a policy of paying 6% per annum in common stock, a good dividend return is assured; and the cash value of the dividend will increase if the price of the stock advances.



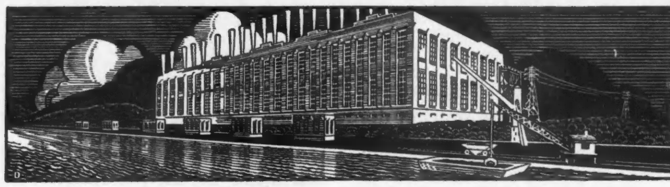
Electric Bond & Share's income is derived from numerous sources: (1) engineering fees; (2) management fees; (3) participations in profitable financing and merger operations; (4) profits from dealing in securities not held as permanent investments; (5) stock dividend and cash dividend receipts from stocks held as permanent or temporary investments; and (6) long term appreciation in the value of securities held. All of these sources of profit are linked together in a unique way because of the company's voice in the management and influence in the policies of a huge system of utilities.

The biggest single influence in the prosperity of Electric Bond & Share during the next five or ten years promises to be the American & Foreign Power Co., Inc., which is engaged in developing a great utility enterprise in Central and South America; this company is controlled through majority stock ownership. Its earning power is still small, since the properties are in the earlier stages of their careers. Through ownership 32% of the common stock and 58% of the option warrants of Electric Power & Light (which in turn controls United Gas Corp.) and 44% of National Power & Light common, Electric Bond & Share also stands to participate broadly in the financial benefits tc be derived from natural gas expansion in the United States. The company owns 19% of the common stock of American Gas & Electric and 31% of the common stock of American Power & Light.

Bond & Share reported earnings for the year ended October 31, 1930, of $2.44 a share which would have been increased to $3.28 a share had stock dividends received been included at market value on the record date, and still further had the company's share in undistributed income of subsidiaries and quasi-subsidiaries been included. These figures compare with $1.97 and $4.38, respectively, for the year ended December 31, 1929, a much better period in which to realize good profits.

With American Foreign Power down from 101¾ early last year and 199¼ in 1929 to around 26, National Power & Light down to 35 from 58¾, Electric Power & Light off from 103½ to 43, American Power & Light down to 50 from 119⅜ and American Gas & Electric at 95 compared with 157 less than a year ago, it would seem an advantageous time to buy Electric Bond & Share as a long term holding for ultimate price appreciation.

ON THE 1930 HONOR ROLL OF AMERICAN INDUSTRY



Utilities Power & Light Corporation

. . . is one of the surprisingly large number of great American corporations that have had better business years in 1930 than in 1929. The Corporation's vast international system of public utility properties is now serving approximately 650,000 customers in more than 1000 communities in the United States, England and Canada. Its latest consolidated statement, for the twelve months ended Sept. 30, 1930, is indicative of the results obtained from excellent management:

	1930	1929	Increase
Gross operating revenue	$52,138,414	$48,657,573	$3,480,841 or 7%
Net income	8,007,911	7,013,999	993,912 or 14%

For the fourth quarter of 1930, directors declared an extra dividend of 15c per share on the Class A stock in addition to the regular quarterly dividend of 50c per share. Equalizing dividends of 27½c per share were declared on both the Class B and Common stocks at the same time.

The last year and a half has demonstrated that of all major branches of business the public utility industry is the most depression-proof.

UTILITIES POWER & LIGHT CORPORATION is one of the leaders among the large utility systems that have shown higher earnings and greater expansion in 1930.

Investors seeking new media for their 1931 investment funds that offer security and attractive return are invited to consult their investment banker or broker or communicate with us for information on any of the securities of the Corporation or its subsidiaries.

Class A stock traded in on New York and Chicago Stock Exchanges
Class B and Common stock traded in on New York Curb and Chicago Stock Exchanges

Write for illustrated survey of the Corporation's properties

UTILITIES
POWER & LIGHT SYSTEM

Utilities Power & Light Securities Company

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14 *Information as of November 1, 1930*

	Company	Ticker Symb.	Listed	Rating	Business	Funded Debt	Shares Outstanding	Par	DIVIDENDS Rate	Payable	Record Date
1	Bethlehem Steel....	BS	N	B1	Steel products............	114,300,000	3,200,000	No	6.00	q-11/15	10/17
2	Bickford's Inc......	BIK	C	B3	Lunch-room chain.........	None	248,744	No	1.00	q-10/1	9/20
3	Bigelow Sanford...	BHC	C	D2	Carpet & rug mfr..........	5,000,000	314,379	No	11/1/30	div. pass	ed
4	Blauners [Phila.]...	BLA	C	B3	Retail clothing............	None	128,776	No	2.00	q-11/15	11/1
5	Blaw-Knox........	BKX	N	B1	Construction steel.........	None	1,322,395	No	1.50*	q-12/2	11/17
6	Bliss, E. W........	BLS	C	B3	Machinery equipment......	None	356,270	No	1.00	q-10/1	9/18
7	Bloomingdale Bros..	BBL	N	B3	Department store.........	None	300,000	No	....	....	....
8	Blue Ridge Corp...	BDG	C	.....	Management invst. trust...	None	7,483,694	No	20 cents	paid 8/1	/30
9	Boback, Inc., H. C.	BHK	C	B2	L. I. chain grocery........	None	104,187	No	2.50	q-11/1	10/15
10	Bohn Aluminum....	BHL	N	B2	Metal castings............	1,902,000	352,418	No	1.50	q-10/1	9/15
11	Bon Ami 'A'.......	BM	N	B1	Scouring compounds.......	None	100,000	No	4.00*	q-10/30	10/15
12	Boo.h Fisheries....	BF	N	C4	Fish packing..............	6,326,000	250,000	No	....	....	....
13	Borden............	BDO	N	A1	Dairy products............	None	4,041,602	25	3.00	q-12/1	11/15
14	Borg-Warner.......	BGW	N	C3	Auto accessories..........	None	1,230,769	10	3.00	q-10/1	9/15
15	Boone-Scrymser....	BRS	C	C2	Oils & greases............	None	40,000	25	2.00	sa-10/15	9/26
16	Bost. & Maine RR.	BMR	N	B3	New England railroad......	146,000,000	395,051	100	4.00	q-10/1	9/13
17	Bourjois, Inc......	BOJ	C	C3	Perfume manufacturer.....	None	392,225	No	3/1/30 d	iv. passe	d
18	Brazil Trctn Lt & Pr	BL	C	A3	Brazilian utility..........	60,184,000	6,309,302	No	12/1/30	cash div.	omitted
19	Bridgeport Machine	BPM	C	B3	Oil & gas machinery.......	429,000	150,000	No	Paid $.2	5, 5/1/3	0
20	Briggs-Stratton....	BGG	N	C3	Automobile accessories....	None	300,000	No	2.00	q-9/30	9/20
21	Briggs Mfg........	BGI	N	C3	Auto bodies...............	None	2,003,225	No	....	....	....
22	Brill Corp. 'B'.....	BILB	C	C4	Railway & street cars.....	None	400,000	No	....	....	....
23	Br. Amer. Tobacco.	BQB	C	A1	Cigarettes, etc............	None	23,574,036	£1	J	....	....
24	Br. Empire Steel...	BMP	N	B4	Steel manufacturer........	30,253,000	....	No	....	....	....
25	Brockway Mtr Trk.	BKM	N	C3	Motor trucks..............	225,000	219,081	No	....	....	....
26	Bklyn & Qns Transt	BQT	N	D4	N. Y. C. traction.........	58,400,000	800,000	No	....	....	....
27	Bklyn. Edison.....	BE	N	A1	Bklyn. electric utility......	42,400,000	900,000	100	8.00	q-12/1	11/14
28	Bklyn. Manh. Trnt.	BMT	N	D3	N. Y. C. traction..........	147,000,000	769,911	No	4.00	q-10/15	10/1
29	Bklyn. Union Gas..	BU	N	A1	Supplies gas in Brooklyn...	39,539,500	736,718	No	5.00	q-10/1	9/2
30	Brown Shoe.......	BW	N	B2	Shoe manufacturer........	None	252,000	No	3.00	q-9/1	8/20

J—Dividends regularly paid at varying rates

2. ADJUSTABLE STOCK RATINGS

Since its inception in October, this handy, pocket size book has been enthusiastically received by thousands of investors, who find in it the practical answer to their need for readily available data on securities in which they are interested.

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Each issue of Adjustable Stock Ratings contains all the information shown in the sample pages above for each of the 1611 securities—all the stocks listed on the New York Stock Exchange and every important Curb Market security. This information is absolutely necessary to every investor who is anxious to:

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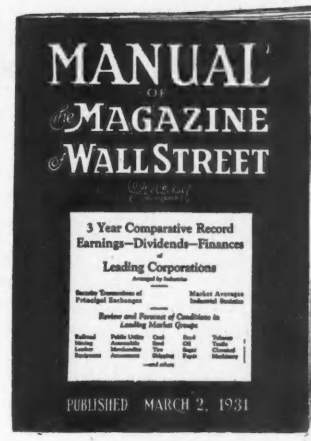
a Complete Investment Service

3. THE 1931 MANUAL The historical section of the combinaton is supplied by the yearly Manual. This volume, which is issued on March 2nd, represents a background for the interpretation of the data found in the other two units. By giving you a three-year record of security prices and industrial development, the Manual makes it possible for you to study the growth or decline of companies in which you are interested, and weigh the current position in the light of this study. Complete information on the Manual, indicating an explanation of its value to every investor as a reference book, will be found on page 338 of this issue.



Explanations of ratings and additional foot notes on page 1 **15**

EARNINGS Annual 1928	1929	Interim 1929	1930	PRICE RANGE 1929 High	Low	1930 High	Low	Recent Split-up or. Stk. Div.	Comment	
6.52	11.01	7.21*je* 6	4.46*je* 6	140¾	78¼	110¼	68⅝	....	May acquire Youngstown	1
1.12	1.51	0.98*se* 9	1.39*se* 9	27	14⅛	21	14¾	....	Earnings steadily increase	2
9.35	6.86	3.34*je* 6	1.41*je* 6	104	88	73	32	....	Financial position continues strong	3
4.56*ja*	4.85*ja*	N.F.	N.F.	60½	38	38	30	1½ % 5-30	Increased facilities should aid profits	4
1.13	2.16	1.05*je* 6	1.28*je* 6	64	30	41½	23	5 % 1-14-29	Industrial building activity aids earnings	5
2.52	5.30	N.F.	N.F.	57⅞	10	30⅞	13½	....	Company's earnings irregular	6
3.80*ja*	1.08*ja*	N.F.	N.F.	61⅞	22¾	29⅞	17	....	Earnings will probably be lower	7
N.F.	N.F.	N.F.	N.F.	29⅝	3⅛	15¼	3⅞	....	Liquidating value $12.72, 4/30/30	8
4.04*ja*	6.63*ja*	N.F.	N.F.	84	64⅛	85	63	....	Still expanding	9
9.10	7.43	7.03*se* 9	1.97*se* 9	136¾	37	69	16	....	Affected by automobile depression	10
12.84	14.55	11.26*se*9	10.44*se*9	89½	70	78	59½	....	Has fine earnings record	11
*d*0.10	*d*0.50	N.F.	N.F.	11¾	3	5	1	....	Outlook unpromising	12
4.54	5.50	N.F.	N.F.	100½	53	90⅜	60⅛	3% 1-30	Expanding. Excellent prospects	13
10.85	6.09	5.05*se* 9	1.93*se* 9	143⅜	26	50½	15⅞	50% 8-29	Earnings will reflect automotive trend	14
2.54	2.00	N.F.	N.F.	46½	25	25	11¼	....	Very strong cash position	15
8.34	7.22	6.04*se* 9	2.30*se* 9	136½	87	112	60	....	First dividend since 1913 paid April 1930	16
1.45	1.26	0.31*je* 6	0.24*je* 6	....	....	9⅞	5½	....	Earnings off. Competition keen	17
2.56	2.67	N.F.	N.F.	81⅞	31¼	55¼	20¼	2% 12/30	Dec. div. payable in stock	18
0.13	1.18	0.53*je* 6	0.91*je* 6	5½	1¾	6⅛	2½	....	Earnings warrant further dividends	19
3.55	5.00	4.13*se* 9	2.74*se* 9	43½	17⅜	35½	16¾	....	Automobile depression clouds outlook	20
2.15	1.21	1.21*je* 6	1.76*je* 6	63⅛	8½	25¾	12⅛	....	Depends upon automobile industry	21
*d*1.39	*d*1.84	N.F.	N.F.	12½	1	5½	1½	....	Controlled by Am. Car & Foundry	22
1.31	1.27	N.F.	N.F.	32⅞	26	28¾	23⅜	....	Strong company. Progressive	23
D	D	N.F.	N.F.	6⅞	1½	..	..	....	Acquired by Dominion Steel & Coal	24
4.53	0.54	2.41*je* 6	0.60*je* 6	73⅞	14	22¼	4	....	Foreign business off sharply	25
....	0.78*je*	0.35*se* 3	0.23*se* 3	12¼	7	15⅞	10	....	B. M. T. controls	26
12.80	14.70	N.F.	N.F.	374½	300	..	..	....	Consolidated Gas holds over 98% of stock	27
....	....	1.30*se* 3	1.61*se* 3	81⅞	40	78⅜	58⅜	....	Unification likely in near future	28
8.09	7.54	N.F.	N.F.	248½	99	178¼	106¾	....	Rate revision under discussion	29
4.60*oc*	5.78*oc*	1.65*ap*6	1.83*ap*6	51½	36	42	35	....	Current earnings improving	30

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1-10-31

Answers to Inquiries

(Continued from page 376)

Porto Rico, Spain, Argentina, Brazil, Chile, Uruguay, Peru, Turkey, and Mexico. During 1930 the company acquired properties in the International settlement in Shanghai, China, and was successful in obtaining a franchise from the Rumanian Government for operations in that country. Prospects for further expansion in years to come are favorable, particularly so in countries outside of Europe. However, in view of the universal business recession now in progress, the company's expansion program is likely to be temporarily retarded. When the annual report is published, 1930 will probably be referred to as the most trying period the company has passed through since its inception. Considering the unsettled conditions prevailing generally throughout the world during last year, it is not surprising that earnings of International registered rather sharp declines from 1929 results. For the nine months ended September 30, 1930, net income amounted to $1.55 a share, compared with $2.33 a common share, on a smaller capitalization for the corresponding period of the previous year. Declaration of the quarterly payment due January 15, indicates that the management expects full 1930 returns to cover annual dividend requirements of $2 a share, at least. Prospects for 1931 will depend largely upon conditions prevailing during the year in the various countries in which the company operates. We advise retention of present holdings, but would defer purchases, pending developments.

GOLD DUST CORP.

Last June I bought 25 shares of Gold Dust common at 45. The market value of this stock has held up so well during the recent readjustment that I contemplate averaging under 35. What is your judgment? Is the present dividend safe?—F. F. L., Hutchinson, Kans.

Gold Dust Corp. represents a consolidation of the original Gold Dust Corp., Best Foods, Inc., and the Standard Milling Co., engaged in the production of a varied line of household and food products. The present company functions as a holding and operating company, manufacturing such widely advertised articles as "Gold Dust," "Fairy Soap," "Shinola" and "2-in-1" shoe polishes, "Thousand Island" dressing, "Bread and Butter" pickles, margarine, relish and peanut butter and "H-O" flour and breakfast foods. In September, 1929, it acquired 46,000 shares of Beech-Nut Packing Co., which holdings were added to, by virtue of a 5% stock dividend, declared by that company in December of the same year. Thus, Gold Dust has placed itself in a position to further broaden its scope of operations. However, the management has been conservative in its expansion program, with the result that additional acquisitions may only be expected where present strategic position will be strengthened. Financial position of the company at the close of 1929 was exceptionally strong; current assets, including approximately 33% in cash and call loans, being equal to five times current liabilities. No financial statements have been published for 1930; but it is interesting to note that the company has been able to retire a substantial amount of its funded debt without new financing. Although no interim reports are available for the year just ended, it is believed that full 1930 per share earnings will exceed those of $4.06 reported for 1929, thereby covering current dividend rate on the common stock by an ample margin. In view of the favorable long term outlook for the company, its shares not only offer a liberal income return at current prices, but should prove a profitable commitment over a reasonable period.

GENERAL MILLS, INC.

I would appreciate your analysis of General Mills common particularly in view of the current wheat situation. My holdings consist of 100 shares at 42. The dividend is satisfactory and I assume is reasonably safe. Do you think, however, I would do better, to switch into something else?—V. F. M., Santa Barbara, Calif.

Holding a dominant position in the flour milling industry, General Mills, Inc., demonstrated depression proof qualities in the past fiscal year and operations in the current year are reported to be at an even higher rate. The company occupies an enviable position as the use of its products, chiefly flour and wheat products, tends to increase during periods of general business recession. Fluctuations in wheat quotations, contrary to the general belief, have no effect on General Mills, as speculative losses are guarded against by hedging. As soon as a miller sells flour, he immediately purchases either cash wheat or a "future," so that he is protected whether the wheat price rises or falls. Earnings of the company for the fiscal year ended May 31, 1930, totaled $4,609,101 or $4.83 a share as compared with $4,154,786, equivalent to $4.57 a share in the previous year. The results for the past year, a period of unsettled conditions in the flour and

(Please turn to page 386)

New York Stock Exchange

RAILS

	1928 High	1928 Low	1929 High	1929 Low	1930 High	1930 Low	Last Sale 12/31/30	Div'd $ Per Share
A								
Atchison	204	182⅝	298⅝	195⅛	242½	168	178½	10
Do Pfd.	108½	102½	104⅞	99	108¾	100	102	5
Atlantic Coast Line	191½	157⅛	209½	161	175½	96¼	100¼	10
B								
Baltimore & Ohio	125⅝	103¾	145⅛	105	122¾	55⅜	69⅛	7
Brooklyn-Manhattan Transit	77¾	53⅜	81⅞	40	78⅜	55⅛	61⅛	4
Do Pfd.	95⅝	82	92⅝	76½	98¾	83	†84¼	6
C								
Canadian Pacific	253	195⅛	265⅞	185	52¼	35¼	39⅛	2½
Chesapeake & Ohio	218¾	175½	279¾	160	51⅝	32⅝	40⅛	2½
C. M. & St. Paul & Pacific	40⅛	22¼	44⅞	16	26⅜	4¼	5½	..
Do Pfd.	59⅝	37	68⅝	28½	46¼	7¾	9¾	..
Chicago & Northwestern	94¼	78	108⅛	75	89⅞	28⅛	34½	4
Chicago, Rock Is. & Pacific	139⅝	106	143½	101	125⅛	45¼	48¾	7
D								
Delaware & Hudson	226	163¼	226	141½	181	130⅛	136½	9
Delaware, Lack. & Western	150	125¼	169¾	120¼	153	69½	82½	7
E								
Erie R. R.	72½	48¾	93½	41½	63¾	22⅛	28	..
Do 1st Pfd.	63⅞	50	66¼	55½	67⅞	27	37¾	4
Do 2nd Pfd.	62	49¼	63⅞	52	62½	26	†34	4
G								
Great Northern Pfd.	114¾	93½	128¼	85¼	102	51	58⅝	5
H								
Hudson & Manhattan	73½	50⅛	58⅜	34½	53⅜	34⅞	37¾	3½
I								
Illinois Central	148¾	131¾	153½	116	136¾	65¾	70½	7
Interborough Rapid Transit	62	29	58⅜	15	39½	20⅜	26⅝	..
K								
Kansas City Southern	95	43	108⅞	60	85⅜	34	34½	5
Do Pfd.	77	66½	70⅛	63	70	53	†52	4
L								
Lehigh Valley	116	84⅛	102¼	65	84⅞	40	53¾	4½
Louisville & Nashville	159½	139⅜	154¾	110	138½	84¼	88	7
M								
Mo., Kansas & Texas	58	30½	65¾	27⅛	66⅝	14⅞	19⅝	3
Do Pfd.	109	101⅛	107⅛	96⅞	108⅜	60	70	7
Missouri Pacific	76¼	41⅞	101⅜	46	98½	20⅜	31⅜	..
Do Pfd.	126⅞	105	149	105	145½	79	87	5
N								
New York Central	196½	156	256½	160	192¾	105⅛	114½	8
N. Y., Chic. & St. Louis	146	121¼	192⅜	110	144	73	73¼	6
N. Y., N. H. & Hartford	82¾	54⅜	132½	80⅞	128⅛	67⅝	75⅛	6
N. Y., Ontario & Western	39	24	32	8	17¼	3¾	5½	..
Norfolk & Western	198½	175	290	191	265	181½	197	12
Northern Pacific	118	92⅜	118⅞	75⅛	97	42⅜	47¾	5
P								
Pennsylvania	76⅞	61⅞	110	72½	86⅝	53	56¼	4
Pere Marquette	154	124⅞	260	140	164½	76½	76½	8
Pittsburgh & W. Va.	163	121¼	148¾	90	121¾	48½	52	6
R								
Reading	119⅝	94¼	147¾	101½	141½	73	80	4
Do 1st Pfd.	46	41½	50	41½	50½	44⅛	†46	2
S								
St. Louis-San Fran.	122	109	133¾	101	118⅞	39¾	41	8
St. Louis-Southwestern	124⅛	67½	115¾	50	76¾	18	†18	..
Seaboard Air Lines	30½	11⅝	21¾	9⅛	12½	½	⅝	..
Do Pfd.	38	17	41⅜	16¼	28	⅛	1	..
Southern Pacific	131¼	117⅝	157½	105	127	88	93¾	6
Southern Railway	165	139½	162½	109	136¾	46½	50¾	8
Do Pfd.	102¼	96⅝	100	93	101	76	85	5
T								
Texas & Pacific	194⅝	99½	181	115	145	45	88	5
U								
Union Pacific	224⅞	186½	297⅝	200	242¾	166½	180	10
Do Pfd.	87¼	82⅛	85½	80	88⅜	82¼	85	4
W								
Wabash	96¼	51	81⅜	40	67⅜	11¼	16	..
Do Pfd. A	102	88½	104⅞	82	89¼	39	†41½	5
Western Maryland	54¾	31¾	54	10	36	10	13⅞	..
Do 2nd Pfd.	54⅞	33½	53½	14⅝	38	11¼	†13½	..
Western Pacific, Pfd.	62⅛	52½	67¾	37⅛	53½	23	26¼	..

INDUSTRIALS AND MISCELLANEOUS

	1928 High	1928 Low	1929 High	1929 Low	1930 High	1930 Low	Last Sale 12/31/30	Div'd $ Per Share
A								
Adams Express	425	195	34	20	37⅝	14¼	16½	1.60
Air Reduction, Inc.	99⅝	59	223⅝	77	156⅜	87½	97	4½
Allegheny Corp.	..	..	56½	17	35¼	5¾	7¾	..
Allied Chemical & Dye	252¾	146	354¾	197	343	170¼	175¼	6
Allis Chalmers Mfg.	200	115⅛	75⅛	35⅛	68	31¼	33⅛	3
Amer. Agricultural Chem. Pfd.	79⅞	55⅝	73¾	18	41¾	17½	18	..
Amer. Bank Note	159	74¾	157	65	97⅜	45½	55	3
Amer. Brake Shoe & Fdy	49⅛	39⅞	69	40⅛	54⅝	30	33	2.40
American Can	177½	70⅛	184½	86	156½	104⅝	110⅛	5
Amer. Car & Fdy.	111½	88¼	106⅛	75	82½	24⅛	27½	6
Amer. & Foreign Power	85	29⅝	199½	50	101¾	25	28¼	..
American Ice	46⅝	26	54	29	41⅞	24½	27	4
Amer. International Corp.	150	71	96¾	29⅛	55⅝	16	19¼	2
Amer. Mchy. & Fdy.	180	129½	279¾	142	45	29¾	30½	1.65
Amer. Metal Co., Ltd.	63¾	39	81¾	31½	51½	13½	17	1
Amer. Power & Lt.	95	62¼	175¾	64⅛	119⅜	36⅛	50	1
Amer. Radiator & S. S.	191½	130⅛	55⅝	28	39¾	15	16	1
Amer. Rolling Mill	..	..	144⅝	60	100⅞	28	30¾	2
Amer. Smelting & Refining	293	169	130¼	62	79½	37½	41	4
Amer. Steel Foundries	70⅝	50⅛	79⅞	35¾	52¼	23½	25⅞	3
American Stores	..	..	514	120	55½	36½	38	2½

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1928		1929		1930		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	12/31/30	Share
A								
Amer. Sugar Refining	93½	55	94¾	56	69⅞	39¼	41¾	5
Amer. Tel. & Tel.	211	172	310½	193¼	274¼	170⅜	178⅝	9
Amer. Tobacco Com.	184⅜	152	232¼	160	127	98⅛	105½	5
Amer. Type Founders	142¼	109⅜	181	115	141¾	95	†95	8
Amer. Water Works & Elec.	76½	52	199	50	124⅞	47⅝	60	3
American Woolen	32⅜	14	27⅞	5⅞	20¼	5½	6¾	..
Anaconda Copper Mining	120¼	54	140	67¼	81½	25	30	2½
Armour of Ill. Cl. A	28½	11¼	18⅝	5⅛	8⅛	2¾	3	..
Arnold-Constable Corp.	51¾	35¼	40⅞	6¼	13¾	3⅛	3⅝	..
Assoc. Dry Goods	75½	40¼	70¾	25	50⅛	19	21¾	2½
Atlantic, Gulf & W. I. S.S. Line	59⅞	37⅛	86⅞	32⅛	80⅜	33	†33	2
Atlantic Refining	66½	50	77⅞	30	51⅜	16⅝	18	2
Auburn Auto	..	..	85	40	263¾	60⅛	106¼	4
B								
Baldwin Loco. Works	285	235	66⅝	15	38	19⅜	21½	1¾
Barnsdall Corp. Cl. A	53	20	49⅛	20	34	8⅝	11⅛	2
Beech Nut Packing	101¼	70⅜	101	45	70⅛	46¾	†49	3
Bendix Aviation	..	..	104⅜	25	57⅜	14¼	17	1
Best & Co.	102	53¾	60⅞	25	56¼	30⅜	33½	2
Bethlehem Steel Corp.	86⅜	51⅞	140¾	78¼	110¼	47⅜	50½	6
Bohn Aluminum	..	..	136¾	37	69	15¾	22	1½
Borden Company	187	152	100½	53	90⅜	60⅛	69⅜	3
Borg-Warner	..	..	86⅞	26	50⅛	15	21	1
Briggs Mfg.	63⅝	21⅛	63⅛	8⅛	25⅜	12⅛	17¼	1⅝
Bucyrus-Erie Co.	48¾	24½	43¾	14	31⅞	11⅛	14½	1
Burroughs Adding Mach.	249	139	96⅞	29	51⅞	18⅜	24½	1
Byers & Co. (A. M.)	206¾	90½	192⅞	50	112⅜	33⅛	39⅝	..
C								
California Packing	82⅝	68⅛	84⅞	63⅛	77½	41¼	42½	4
Calumet & Arizona Mining	133	89	136¾	73⅛	89⅞	28⅝	35	..
Calumet & Hecla	47⅜	20⅛	61⅞	25	33⅜	7¾	8	..
Canada Dry Ginger Ale	86½	54⅞	98¾	45	75⅜	30½	35	3
Case, J. I.	515	247	467	130	362¾	83½	89⅜	6
Caterpillar Tractor	..	..	61	50¼	79¾	22	27	4
Cerro de Pasco Copper	119	58½	120	52¼	65⅜	21	23½	4
Chesapeake Corp.	81⅞	62¾	92	42⅛	82½	32¼	40	3
Childs Co.	64	37	75⅞	44¼	67⅝	22⅞	25¼	2.40
Chrysler Corp.	140½	54¾	135	26	43	14⅛	16⅜	1
Coca-Cola Co.	180½	127	154½	101	191⅜	133¼	146	6
Colorado Fuel & Iron	84½	52½	78½	27¾	77	18¾	21⅛	1
Columbian Carbon	134¾	79	344	105	199	65⅛	77	6
Colum. Gas & Elec.	140⅞	89½	140	52	87	30⅝	34⅝	2
Commercial Solvent	250¼	137⅞	63	20⅛	38	14	15½	1
Commonwealth Southern	..	..	24¾	10	20⅛	7⅛	8⅛	.60
Congoleum-Nairn, Inc.	31½	22	35¾	11	19¾	6¼	6¾	..
Consolidated Gas of N. Y.	170¼	74	183¼	80⅛	136⅞	78¼	84	4
Continental Baking Cl. A	53½	26½	90	25¼	52⅛	16¾	17⅛	..
Continental Can, Inc.	128⅞	53	92	40½	71⅝	43⅛	48	2½
Continental Motors	20½	10	28⅝	6⅛	8¼	2½	2⅜	..
Continental Oil	..	..	47⅛	48	30½	7¾	9⅛	..
Corn Products Refining	94	64⅜	126⅜	70	111⅜	65	78	4¼
Crucible Steel of Amer.	93	69¼	121¾	71	93⅝	50⅛	61	5
Curtiss Wright, Common	..	..	30⅛	6⅜	14⅞	1¾	2⅝	..
Curtiss Wright, A	..	..	37⅞	13¼	19¾	3	4	..
Cudahy Packing	78⅛	54	67⅞	36	48	38⅛	40½	4
D								
Davison Chemical	68¾	34⅜	69⅛	21¼	43⅝	10	14⅞	..
Drug, Inc.	120⅛	80	126⅛	69	87⅜	57⅝	62½	4
Du Pont de Nemours	503	310	231	80	145¼	80½	86¾	4.70
E								
Eastman Kodak Co.	194¼	163	264¾	150	255¼	142½	147	8
Eaton Axle & Spring	68⅛	26	76¾	18	37¼	11⅝	13⅝	1.60
Electric Auto Lite	136½	60	174	50	114⅞	33	53	6
Elec. Power & Light	49⅜	28¾	86⅝	29⅛	103½	34⅜	39	1
Elec. Storage Battery	91⅛	69	104½	55	79¼	47½	50	5
Endicott-Johnson Corp.	85	74¾	83⅝	49¼	59⅝	36⅞	37	5
F								
Fox Film Cl. A	119⅝	72	105⅝	19⅛	57⅜	16⅛	27½	4
Freeport Texas Co.	109¼	43	54⅞	23¾	55½	24½	29½	5
G								
General Amer. Tank Car	101	60⅞	123½	75	111⅞	53⅛	59½	4
General Asphalt	94⅞	68	94¾	42¼	71⅛	22⅜	24	3
General Electric	221½	124	403	168⅛	95⅜	41½	43⅝	1.60
General Foods	..	..	81¾	35	61¼	44⅜	49	3
General Motors Corp.	224¾	130	91¾	33½	54¼	31½	35⅝	3.30
General Railway Signal	128⅝	84¼	128⅛	70	106⅞	56	71	5
Gillette Safety Razor	123⅜	97⅛	143	80	106⅛	18	21½	4
Gold Dust Corp.	143¼	71	82	31⅛	47⅞	29	32⅝	2½
Goodrich Co. (B. F.)	109¼	86½	105¾	38¼	58⅛	15¼	16	..
Goodyear Tire & Rubber	140	45⅛	154½	60	96⅞	35⅛	45½	5
Granby Consol. Min., Smelt. & Pr.	93	39⅛	102⅞	46¼	59⅞	12	16	2
Great Western Sugar	38½	31	44	28	34½	7	7⅝	..
Greene Cananea Copper	177¼	89¾	200½	106	89	38¾	†40½	..
Gulf States Steel	73⅞	51	79	42	80	15	17	..
H								
Hershey Chocolate	72½	30¾	143⅞	45	109	70	88	5
Houston Oil of Texas	167	79	109	26	116⅞	29¼	35⅝	§10%
Hudson Motor Car	99⅞	75	93⅛	38	62⅞	18	23½	3
Hupp Motor Car	84	29	82	18	26⅝	7½	7⅞	..
I								
Inland Steel	80	46	113	71	98	58	64½	4
Inspiration Consol. Copper	48⅞	18	66¾	22	30⅞	6⅜	8	..
Inter. Business Machines	166¾	114	225	109	197½	131	150	6
Inter. Cement	94⅞	56	102¾	48	75⅜	49½	50⅜	4
Inter. Harvester	97⅞	80	142	65	115¾	45¼	50	2½
Inter. Nickel	269½	73⅝	72¾	25	44⅜	12¾	15⅛	1
Inter. Paper & Power "A"	86¾	50	112	57	31⅛	5½	6¼	..
Inter. Tel. & Tel.	201	139½	149¼	53	77⅜	17½	19⅝	2
J								
Jewel Tea	179	77¾	84½	45	66½	37	38⅜	5
Johns-Manville	202	96¼	242¾	90	148⅜	48¾	53⅝	3
K								
Kennecott Copper	156	80⅛	104⅞	49⅜	62¾	20⅛	28¼	2
Kresge Co. (S. S.)	91¾	65	57⅛	23	36¾	26⅛	26½	1.60
Kroger Grocery & Baking	132¼	73¼	122¼	38¼	48⅜	17⅛	18	1

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1928 High	1928 Low	1929 High	1929 Low	1930 High	1930 Low	Last Sale 12/31/30	Div'd $ Per Share
L								
Lambert Co.	136⅜	79⅛	157¼	80⅛	113	70⅜	76¼	8
Lehn & Fink	64⅞	38	68⅛	28	36	21	†22⅜	3
Liggett & Myers Tob. B	122⅛	83⅛	106	80¼	114⅜	78¼	85¾	5
Loew's Inc.	77	49⅛	84½	32	95¾	41¾	46⅛	4
Loose-Wiles Biscuit	88¾	44¼	88⅜	39⅛	70¼	40¼	44½	2.90
Lorillard	46⅞	23¾	31½	14¼	28⅛	8¾	11⅛	..
M								
Mack Truck, Inc.	110	83	114¾	55⅛	88⅛	33⅝	36	4
Macy (R. H.)	187¾	134	255⅛	110	159¼	81⅝	85	3
Magma Copper	75	43¾	82½	35	52½	19¼	20⅞	3
Mathieson Alkali	190	117¾	72⅜	29	51⅜	30⅛	31⅛	2
May Dept. Stores	113½	75	108½	45⅛	61⅜	27¾	31	2
McKeesport Tin Plate	78⅜	62½	82	54	89⅛	61	71¼	6
Mont. Ward & Co	156⅛	115¼	156⅞	42⅝	49⅞	15⅛	16	..
Murray Corp.	124¼	21½	100⅞	14⅞	25¼	9	11¼	§2%
N								
Nash Motor Co.	112	80¼	118⅞	40	58⅛	21¼	27¾	4
National Biscuit	195¼	159½	236¾	140	93	68⅝	77⅝	3.30
National Cash Register A	104¾	47¼	148¾	59	83⅛	27⅝	29⅝	4
National Dairy Prod.	133⅛	64½	86½	36	62	35	38¾	2.60
National Lead	136	115	310	129¼	189½	114	†116	8
National Power & Light	46⅝	21⅞	71¾	23	58¾	30	32⅝	1
Nevada Consol. Copper	42⅜	17¾	62⅞	23¼	32⅜	9	10¾	1
North American Co.	97	58⅝	186¾	66½	132⅞	57¼	63¾	§10%
O								
Otis Elevator	285½	147⅛	55	22¼	80⅜	48¼	55	2½
Otis Steel	40½	10⅛	55	22¼	38⅞	9½	10⅛	..
P								
Pacific Gas & Electric	56⅛	43½	98¾	42	74⅞	40⅛	47	2
Pacific Lighting	85⅝	69	146⅛	58⅛	107⅞	46	50	3
Packard Motor Car	163	56¼	32½	13	23⅜	7¼	8½	.60
Paramount Publix	56⅝	47¼	75⅛	35	77¼	34¾	37⅝	4
Penney (J. C.)	..	..	105¼	66	80	27⅝	28⅜	3
Phillips Petroleum	53⅞	35¼	47	24¼	44¾	11⅛	13⅞	2
Prairie Oil & Gas	66⅝	59⅛	65⅝	40½	54	11¼	14⅜	2
Prairie Pipe Line	..	..	65	45	60	16⅝	20	5
Public Service of N. J	83⅛	41½	137¾	54	123¾	65	74½	3.40
Pullman, Inc.	94	77⅞	99¼	73	89⅜	47	50½	4
Pure Oil	31¼	19	30¾	20	27¼	7⅝	8⅝	..
Purity Bakeries	139⅜	75	148⅝	55	88⅞	36	39½	4
R								
Radio Corp. of America	420	85¼	114¾	26	69⅜	11⅜	12	..
Remington-Rand	36½	23⅛	57¾	20⅜	46⅛	14⅛	15⅝	1.60
Republic Steel	94½	49⅛	146¼	62¼	79½	10⅛	12¼	..
Reynolds (R. J.) Tob. Cl. B	165½	126	66	39	58⅝	40	40¼	3
Richfield Oil of Calif.	56	23½	49⅝	20	28¼	4⅛	5	..
Royal Dutch	64	44⅝	64	43⅛	56⅛	36⅞	38¼	3.22
S								
Safeway Stores	201¾	171	195¼	90⅛	122⅜	38¾	40⅞	5
Schulte Retail Stores	67⅛	35¾	41½	3⅛	13½	4	4⅛	..
Sears, Roebuck & Co.	197½	82⅛	181	80	100⅝	43⅛	45⅛	2½
Shell Union Oil	39⅜	23¼	31¾	19	25½	5¼	7⅜	..
Simmons Co.	101⅜	55¾	188	59⅛	94⅞	11	14⅝	..
Sinclair Consol. Oil Corp.	46⅜	17⅜	45	21	32	9¾	10	1
Skelly Oil Corp.	42⅝	25	46½	28	42	10⅛	10⅜	2
Standard Brands	..	..	44¾	20	29¼	14⅛	16⅞	1.20
Standard Gas & Elec. Co.	84⅝	57⅞	243¾	73½	129¼	53⅛	59½	3½
Standard Oil of Calif.	80	53	81⅞	51½	75	42¼	45½	2½
Standard Oil of N. J.	59⅜	37¾	83	48	84⅞	43⅛	47⅛	2
Standard Oil of N. Y.	45½	28¾	48⅛	31¾	40⅜	19¾	22⅜	1.60
Sterling Securities, A	..	..	38	8¼	20½	2⅜	2⅞	..
Stewart-Warner Speedometer	128⅛	77¼	77	30	47	14¾	16⅞	2
Stone & Webster	..	..	201½	64	113⅜	37⅛	41½	4
Studebaker Corp.	87½	57	98	38¼	47¼	18⅛	21½	3
T								
Texas Corp.	74¾	50	71⅞	50	17	7¾	8¼	1
Texas Gulf Sulphur	82½	62¼	85¼	42½	67⅜	40¼	46¼	1
Texas Pacific Coal & Oil	26⅝	12⅛	23⅞	9½	14½	4	4¼	..
Tide Water Assoc. Oil	25	14¾	23½	10	17¾	5⅞	6½	.60
Timken Roller Bearing	154	112⅝	139⅜	58½	89¼	40⅛	43¼	3
U								
Underwood-Elliott-Fisher	93⅞	63	181¾	82	138	49	51⅝	5
Union Carbide & Carbon	209	136⅛	140	59	106⅜	52½	57⅛	2.60
United Aircraft & Trans	..	..	162	31	99	18⅜	24	..
United Cigar Stores	34⅝	22⅞	27½	3	8⅛	3¼	4⅛	..
United Corp.	..	..	75½	19	52	13⅞	16¾	.50
United Fruit	148	131⅛	158½	99	105	46½	51¼	4
United Gas Imp.	..	..	59⅝	22	49⅜	24¼	28	1.20
U. S. Pipe & Fdy	53	38	243⅝	95	38¼	18½	27¼	2
U. S. Industrial Alcohol	138	102⅛	55⅞	12	139⅜	50½	64½	7
U. S. Realty	93⅝	61¼	119⅛	50⅛	75½	25	27⅛	3
U. S. Rubber	63¼	27	65	15	35	11	11⅞	..
U. S. Smelting, Ref. & Mining	71½	39⅛	72⅞	29⅞	36⅛	17½	19	1
U. S. Steel Corp.	172½	132⅜	261¾	150	198¾	134⅜	139⅛	7
V								
Vanadium Corp.	111⅛	60	116⅛	37½	143¼	44⅜	52⅞	3
W								
Warner Brothers Pictures	139¼	80⅞	64½	30	80¼	9¾	13½	..
Western Union Tel.	201	139⅛	272¼	155	210¾	122⅛	133⅛	8
Westinghouse Air Brake	57⅜	42⅛	67¾	26⅛	52	31¼	32¾	2
Westinghouse Elec. & Mfg.	144	88⅛	292⅝	100	201½	88⅛	91¼	5
White Motor	43⅜	30¼	53⅛	27¼	43	21⅝	†23	2
Willys-Overland	33	17¾	35	5¼	11	3⅜	5⅛	..
Woolworth Co. (F. W.)	225¾	175⅛	103⅞	52¼	72⅜	51½	55½	2.40
Worthington Pump & Mach.	55	28	187⅜	43	169	47	60	..
Y								
Youngstown Sheet & Tube	115⅝	83½	143	91	150¼	69⅛	70⅛	5

† Bid price. § Payable in stock.

Securities Analyzed, Rated and Mentioned in This Issue

Industrials

Petroleum

Public Utilities

Railroads

(Continued from page 380)

grain markets, demonstrated the capable management of the enterprise and augur well for the future. The annual $3 dividend is being covered by a good margin and is considered safe. Although the company does not issue interim statements, earnings for the current fiscal year are expected to show further growth. A strong financial position is maintained and in view of the favorable outlook for General Mills, Inc., we accord the common stock a good rating and suggest that you hold for the longer term.

EASTMAN KODAK CO.

My broker tells me that, on the whole, blue chip stocks are selling too high. He places Eastman Kodak in this classification because even now it is selling at more than 15 times last year's earnings. I have 25 shares at 198. Shall I continue to hold?—W. S. K., Jackson, Miss.

Eastman Kodak is the world's leading manufacturer of photographic apparatus and numerous sundries, including sound and color devices. The past record of the company has been featured by substantial earnings growth, reflecting consistent extension of activities and development of new products. A well conceived expansion program has resulted in additional plants and machinery, but despite heavy costs, earnings have been steady. Eastman Kodak holds an exceptionally strong position in its field, occupying virtually a monopoly. The book value of the company's fixed capital has almost been doubled in the past few years, due to the expansion of plants. Operations are carried on through 61 wholly-owned subsidiaries which operate plants in the United States, France, England, Canada, Hungary, Australia and Germany. The largest of these is operated in Rochester, New York. Approximately $15,000,000 is being expended there for expansion of facilities, which will greatly increase the plant's capacity. The earnings for 1929 totaled $22,004,915 or $10.26 per share, an increase of 9% over the $20,110,440 or $9.60 a share reported in the previous year. Interim earnings reports are not available, so that it is not possible to ascertain the 1930 earnings trend, but it is believed that some of the company's products, which are in the luxury class, have been affected by the business depression. However, it is reported that the turnover of the more necessary products has been stable. Since you have held the stock through a long period of market weakness, it would not be a sound investment policy to liquidate at a loss at this time. We suggest that you retain your equity in this efficiently managed enterprise over the longer term.

JEWEL TEA CO., INC.

Jewel Tea common has been recommended to me for semi-investment as an issue that should recover rapidly as soon as the general business depression lifts somewhat. The yield around 40 is also very attractive. Would you consider it advisable to buy this stock now?—S. E. J., La Grange, Ill.

The Jewel Tea Co., Inc., in addition to ranking as a leading roaster of coffee and manufacturer of other food products, has a large retail distributing system. Its products are conveyed by motor truck directly to the consumer through more than 1,200 routes. These routes cover the greater part of the United States, except the Pacific Northwest and New England. The company has been experimenting recently with merchandising its products through retail stores in the southern part of New England. Jewel Tea Co. was in a favorable position to take advantage of the drop in coffee quotations late in 1929, with the result that earnings for the 28 weeks to July 12, 1930, were $887,622 or $3.17 per share, compared with $801,426 or $2.70 a share in the corresponding period of 1929. The company held off buying of coffee last year other than that needed for immediate requirements, and made its purchases at advantageous prices following the sharp drop in quotations late in 1929. The retail prices did not immediately drop, giving Jewel Tea the advantage of the wide spread, and allowing an unusually large margin of profit. Sales declined later in the year, and it is not likely that profits for the full year will continue at the rate reported for the first half. The stock appears to be fairly valued in relation to past results and the future outlook, and the shares possess a degree of merit as a speculative commitment.

INGERSOLL-RAND CO.

Thanks to your advice I held on to 25 shares of Ingersoll-Rand common when it broke 150 in November. I now have a slight profit instead of a loss of over $500. Shall I continue to retain? This stock has acted so well during the recent reaction that I am tempted to buy 25 additional shares if you approve.—R. A. M., Peekskill, N. Y.

The products manufactured by Ingersoll-Rand Co., which include mining machinery, Diesel engines, pneumatic tools, oil and gas engines, oil well compressors, etc., are so well diversified that the company is able to take advantage of developments in various industries. Unfilled orders fell off sharply in 1930, as a number of industries on which the company is dependent were in a depressed condition, and profits for the full year are expected to show a decline from 1929 levels. Net income was equivalent to $10.54 a share

Profiting Through 1931 Market Movements

SUBSCRIBERS to THE INVESTMENT AND BUSINESS FORECAST of The Magazine of Wall Street are fully prepared to take advantage of intermediate market movements. They are guided at all times in maintaining a sound position, expanding or contracting their commitments, in anticipation of the strength and weakness of the list.

Our assurance to subscribers of consistently satisfactory returns on their capital is based on definite and continuous counsel rendered by market and security specialists through tried and proven methods. No vague or general advice is ever given. From the time a security is recommended it is checked daily until in our opinion the time has come to close it out.

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Many sound dividend-paying securities in strongly situated industries are now selling at only a small fraction of their former highs. While it does not follow that these securities will rapidly recover to their previous inflated levels, present prices give our subscribers the opportunity to buy sizable units so that only a moderate advance will help recover severe losses and bring substantial profits.

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(c) telegraph or cable you the current weekly recommendation of our "Unusual Opportunities in Securities" department and wire you usually on Friday the recommendation to be analyzed in our regular edition to be mailed you the following Tuesday. Definite closing out advices are also given in this department which is chiefly for the semi-investor;

(d) all telegrams or cables will be sent in private code after our code book, which will be mailed on receipt of your subscription, has had time to reach you. (Straight English will be used in the meantime.)

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New York Curb Exchange

IMPORTANT ISSUES

Quotations as of December 31, 1930

Name and Dividend	1930 Price Range High	1930 Price Range Low	Recent Price
Aluminum Co. of Amer.	356	140½	146¼
Amer. Cyanamid "B"	37	6⅝	7⅝
Amer. Gas Elec. (1)	157	74⅛	101
Am. Lt. & Traction (2½)	89¼	40	42
Amer. Superpower (.40)	39⅛	9	10¼
Assoc. Gas Elec. "A" (2.40)	46⅛	13⅞	18¼
Central States Elec. (.40)	39¾	7⅞	9¼
Cities Service (.30)	44¼	13⅛	15⅜
Cities Service Pfd. (6)	98⅞	78¼	79¼
Cleveland El. Ill. (1.60)	93	44½	47¾
Cons. Gas of Balt. (3.60)	136⅞	78	95
Consolidated Laundries (1)	16	10	10⅛
Cosden Oil	74¾	1¼	2¼
Deere & Co. (1.20)	162⅝	29¼	36
Durant Motors	7	1	1⅛
Elec. Bond Share (6 Stk.)	117⅞	37⅛	41⅝
Ford Motors of Can. A (2.10)	38⅛	18⅛	21
Ford Motors, Ltd. (.37½)	23⅛	10¼	14¾
Fox Theatre A	17⅜	2½	4⅛
General Baking	4⅝	⅝	1
General Baking Pfd. (3)	54⅛	23⅛	26
Goldman Sachs T.	46¾	4⅝	5¾
Gulf Oil (1.5)	166⅞	58⅛	65⅛
Hecla Mining (1)	14	6⅞	7
Humble Oil (2½)	119	57⅛	59
Hygrade Food Products	15	2⅝	2¾
Insull Util. Invest. Inc. (10½% Stk.)	71	27½	29¾
Insur. Securities Inc. (.70)	23	5¾	6¾
Internat. Pet. (1)	24	11⅝	15
International Utilities B	19½	4	5½
Lion Oil Refining (2.25)	29	4⅞	5
Lone Star Gas (1)	55⅞	19⅝	24
Metro Chain Stores	30	1¾	2
Mid. West Util. (8% stk.)	38	14¾	17⅛
Mountain Producers (1.60)	12⅛	3¾	4⅛
New Jersey Zinc (3)	91½	45	51½
New Mex. & Arizona Land	7¼	1½	2
Newmont (4)	141⅞	37⅛	43¼
Niagara Hudson Power (.40)	24⅛	8¼	9¼
North. States Power "A" (8)	183⅛	120	132
Pennroad Corp. (.20)	16⅛	5	6⅝
Pittsburgh & Lake Erie (10)	130	98½	101
Safety Car & Heat. (8)	147	85¾	86
Salt Creek Producers (2)	15¼	5¼	5⅝
Standard Oil of Ind. (2½)	59⅞	30	36½
Transcontinental Air Trans.	10⅞	3⅛	3¾
Trans Lux	13½	4⅛	6½
Tubize Chatel "B"	22¾	3	3⅝
Ungerlieder	36⅛	13	21
United Lt. & Pow. A (1)	56	19⅝	23½
United Lt. & Pow. B (1)	99⅞	56	66
U. S. Gypsum (2.10)	58	31	37
Utility & Indus. Corp.	23¾	4¾	5¾
Utility Pow. & Lt. (1)	28	7¾	10
Vacuum Oil (4¼)	97⅞	45⅝	53½

in 1929, as against $7.87 a share a year earlier. The company was in an excellent financial position at the close of 1929, with current assets of $37,766,416, as compared with current liabilities of $3,054,994, a ratio of better than 12 to 1. Cash and readily marketable securities made up more than half of the net working capital of $34,711,422. The funded debt was retired in 1929, simplifying the company's financial structure, as only a small issue of preferred stock now precedes the common shares. The company's strong financial position and favorable longer term outlook give the stock attraction for holding over a period of a year or more and we favor retention.

PARAMOUNT-PUBLIX CORP.

I am at a loss to understand why Paramount Publix common should be selling to yield over 10% when indications are that the $4 dividend will be earned by a good margin this year. Is there any doubt as to the outlook for this company in 1931? Would you recommend the purchase of its stock under 40?—E. P. H., Joplin, Mo.

The motion picture industry as a whole has passed through a rather trying period in 1930, but earnings of the leading companies in the final quarter of the year are believed to have been sufficient to enable them to show statements for the full year which will exceed the results for 1929. There have been several adverse factors which have contributed to the reverses, but the business depression probably was the chief drawback. Expenses in connection with sound pictures, rapid expansion, and the generally poor quality of pictures produced also have played prominent parts. Paramount-Publix Corp., one of the world's leading producers, distributors and exhibitors of motion pictures, reported net earnings of $4.59 per share in the first nine months of 1930 as against $4.11 in the corresponding three quarters of 1929. The report for the full year may show record results, but per share earnings may be restricted by a larger capitalization, as the authorized capital stock was increased earlier in 1930 and a $15,000,000 bond issue was floated in August. However, per share earnings in the neighborhood of $6 are looked for. Several of the evils which beset the industry have been eliminated and attendance of late is said to have shown improvement. However, there is little reason to believe that 1931 will show any sharp increase in income and pending definite indications of an improved outlook, we see no reason for hastening commitments. The dividend appears to be reasonably safe at this juncture, but purchases of the shares should be confined to periods of market weakness.

Facts, News and Comments

George E. Willis, vice-president in charge of sales of the Pierce-Arrow Motor Car Co., believes that there are numerous indications pointing to the recovery in the higher-priced field of the automobile industry. "The overproduction of 1929 among fine car builders particularly," he states, "has been worked off and is now supplanted by building schedules geared in accordance with the demand of the retail market.

* * *

Whether or not business conditions improve, more automobile tires will be made and sold in 1931 than there were in 1930, according to W. O'Neil, president of the General Tire & Rubber Co. He concludes from the fact that fewer tires were bought during the past year in spite of increased mileage run that "the tires now on the wheels of America's cars are in worse shape than they have ever been.

* * *

D. B. Flinn, vice-president and actuary of the Travelers Insurance Co., estimates that more than $2,800,000,000 have been paid as benefits to policy holders and beneficiaries under all kinds of insurance in this country during the past year. The amount exceeds payments in 1929 by $300,000,000, and is said to be the largest ever made by insurance companies in this country.

* * *

According to the results of a questionnaire sent to 850 members of the Financial Advertisers Association, 38% of those replying will have an increased budget in 1931, while only 12% will have budgets reduced. The remaining 50% will have the same appropriation as last year. Preston E. Reed, executive secretary of the association, states that the total amount to be spent by members in the coming year will be in excess of $50,000,000.

* * *

Newburger, Loeb & Co., a newly formed partnership, will take over the offices of the firm of Newburger, Henderson & Loeb, which expired by limitation as of December 31, 1930. The firm was organized in 1899 as Newburger Brothers & Henderson with offices at 134 South Fourth Street, Philadelphia, and in the thirty-one years of its existence has enjoyed a remarkable growth. The main offices of the new firm are at 1423 Walnut Street, Philadelphia and 40 Wall Street, New York.

Improving Rail Prospects in 1931

(*Continued from page 360*)

Passage of the Parker and Fess bills by Congress, making real consolidation possible, is a possibility in the next session of Congress. Above all, the railroads must have a larger volume of traffic in 1931 than in 1930 to prosper as they should. They have learned, however, how to make the most out of a gross dollar and will be in position to show net earnings relatively large in comparison with gross receipts.

At current low prices investors have unusual opportunities to buy into the leading railroad properties of the United States. Asset position, intrinsic merit and territory served should be the basis on which purchases should be made. Maintenance of dividends at last year's rates cannot be guaranteed at this time. But even with reductions, most standard railroad stocks would still yield a good return at recent quotations.

Financing Stock Purchases

(*Continued from page 371*)

views pertaining in any way to money rates, while a statistician charts the previous day's stock sales, stock prices and money quotations.

This information includes: the average call rate of the previous day, the preceding renewal rate and Federal Reserve activities, such as the shift of funds from one region to another, the Federal Reserve discount rate, volume of Federal Reserve credit. International finance, such as the Bank of England rate and condition, foreign exchange fluctuations, gold movements, and political or economical disturbances are weighed. Permanent investments, new bond and stock issues, reorganization payments, and government or municipal financing, has to be considered. The condition of banks, shown by the Clearing House statement or the weekly Federal Reserve reports, the condition of the acceptance market, and the rise or fall of leading commodities also enter into setting the renewal rate.

Besides weighing these factors, the Executive Committee of the Stock Clearing Corp. telephones lenders and borrowers to ascertain the amount of money available and the amount needed. At 10:40 a. m. the renewal rate usually is chalked on a blackboard

behind the money desk and immediately flashed to the world.

The renewal rate, which 96% of the time remains the market rate for the entire day, sets the price of money. The price, however, is subject to the law of supply and demand. A San Francisco bank, opening up two hours later than New York banks, may find it has underestimated its loan needs for the day, so it wires the New York bank for the return of its money put out at the money desk of the Exchange the previous day. This calling—or recalling—of loans, or the supplying of additional funds may revise the renewal rate.

The ability of brokers to get loans depends largely on their furnishing collateral, and their knowledge of the likes and dislikes of lenders. Collateral loan practices vary widely; some banks each night sending all cashiers of brokerage houses a "mark down sheet" listing the loan values of certain stocks, while other banks make such statements only on loan applications. Some banks refuse odd lots, or stock selling at very high prices or securities selling at less than $10 a share. Some banks refuse inactive securities, or new issues and frown on borrowers who are constantly changing their collateral.

The pricing of stocks, that is the loan value set on them by banks, which often is quite far from their market value, indicates the degree of conservatism of the lender. Before the war the most desirable security collateral, known as a "regular loan" consisted of "mixed" collateral, that is both railroad and industrial securities. Usually about 66⅔% of the securities were rails and 33⅓% industrials. Today, most loans are about evenly divided between rails and industrials.

Keeping Up Sufficient Margin

The loan envelope which, containing the collateral, is really a contract, is numbered, names the borrower and lender, states the amount, gives the date of loan, the interest rate and itemizes the various securities put up as collateral.

The loan clerk at the bank examines the offered collateral in the loan envelope for its value, market movements, genuineness of certificates, their signatures and negotiability. From the time the bank passes out the check for the loan until the loan is paid off the loan clerks, with tickers at their elbows, constantly watch the market movements of the collateral and never hesitate to ask for more margin. Jones, Brown & Co., if they are good brokers, even before they get such a request, ask Mr. Smith for more margin.

If Smith orders his Steel shares sold Jones, Brown & Co., pay off the loan through the Stock Clearing Corp. by filling out a quadruplicate "Return Loan Agreement" and a "credit memorandum." The former instrument names the borrower and lender, gives the date, amount and interest on the loan, and itemizes the collateral while the latter, or credit memorandum, is in effect a blank check, which has to be signed by a Stock Clearing Corp. official and the bank designated before the check is cashable. Jones, Brown & Co. signs three "Return Loan Agreements" and returns two of them, which, with the borrower's credit memorandum, are given to the Stock Clearing Corp. When the lender, Twentieth National Bank, gives up the collateral of the borrower, Jones, Brown & Co., to the Stock Clearing Corp. it gets the blank check "credit memorandum" which meantime has been signed by a Stock Clearing Corp. official who designates on such memorandum the name of the bank where it is to be presented for payment.

A corporation may have to pay dividends, a bank finds its borrowers need more money than it has in its tills, an individual needs funds to pay for some purchases, so any of these parties, if they have funds in the New York call loan market merely call all or part of their loans here.

The lender—not the broker—does the calling or recalling of loans. The lender informs the borrower—Jones, Brown & Co.—acting as agent for Smith that the loan has been called. A loan never is called through the money desk nor does the member who placed money on the floor in any way participate in the calling of loans.

When Smith is notified that his loan has been called, he may be assured that the call has come from the lender, or the agent acting for the lender, say the Laredo Texas National Bank or its New York correspondent, Twentieth National Bank, not his broker. It is an unwritten rule that no loans shall be called after 12.15 p. m. On the other hand borrowers seldom pay off their loans after 1 p. m.

The Outlook for Dividends

Our two February issues will contain our Annual Dividend Forecast for Leading Companies. In view of the many changes pending in dividend rates, this feature will be of unusual interest and utility.

Employee Stock Ownership—Its Merits and Demerits

(*Continued from page* 372)

toward the success of the concern, in much the same way that the capitalist stockholder contributes his dollars. Even before the existence of any stock purchase plans, the employees had a large stake in the continued operations and the prosperity of their corporation.

When, in addition to the "investment" of his services, he further extends his interest in the same corporation which provides him with a job by investing his savings, he certainly is not following the familiar old admonition against "placing all of his eggs in one basket." Labor sells its services in the highest market, in the same way that the capitalist places his dollars where they will return him the greatest measure of benefits. But the market which labor enjoys is not as "liquid" a market as the capitalist enjoys. During bad times, the investor with liquid capital intact has great opportunities. Under the same circumstances, the earning power of the employee is reduced or threatened by reduction. If he has both his services and his savings at stake in the welfare of one concern, he suffers a double disadvantage during bad times.

Then, there is the second important question, of whether or not the stock of the corporation which furnishes his employment is the most suitable investment for his individual needs. The first test of any investment should be its suitably for the personal requirements of the individual. After he appraises his own position and decides what type of investment his circumstances require, then he has the entire field of bonds, preferred stocks and common stocks from which to make his selection of the most suitable issue. Indeed, it would be a rather striking coincidence, if his selection on such a basis would turn out to be the company which furnishes his employment.

Constructive Work to Right the Business Machine

(*Continued from page* 347)

profits. The share of the masses (greatly increased absolutely) in the division of wealth has not kept pace with the increase of capacity to produce goods, and consequently distribution is overloaded and jammed.

Besides the fundamental problem of the division of the proceeds of industry,

distribution is clogged by the difficult processes and excessive costs of its own functions. It is too elaborate, too costly, too heterogeneous, too conflicting. Its total toll of primary production is too great—as when the wheat represents but 18 per cent of a 10-cent loaf of bread. Distribution tends to get into an independent compartment of its own. Selling exists for its own sake instead of as the subservient means of conversion of demand into supply. When times are good our machinery of distribution runs at high speed, overstimulates production and so presently bogs itself. When times are bad the machinery falls into the other extreme, and so makes the situation worse again.

Among the business houses of national fame, some compilations list as high as 140 that have either done better business in 1930 than in 1929 or have suffered little or no contraction in the physical volume of business. In some instances peculiarities inherent in the business account for this exceptional prosperity but in most of them success is due to superiority in the technique of distribution.

In this category the function of advertising is outstanding in many industries. In some it is the whole story of success.

Simplification of distribution is necessary to attainment of that volume and rapidity of distribution that increasing manufacturing efficiency and productivity demand. The manifest tendency is toward the establishment of direct channels from the producer to the consumer with as few curves and locks as possible.

The great mail order houses made important contributions to this phase of distribution. A part of their success was due to inefficient and wasteful retailing.

Chain stores in their varied forms have dredged the sandbars out of retail channels and have established direct relations between manufacturers and ultimate distributor. At the same time they have been schoolmasters for independent retailers, thousands of whom are finding out how they can operate as economically and as efficiently as the chains.

Installment selling has been both an aid and a snag to distribution. It has tended to take the peaks and valleys out of selling by synchronizing payments with earnings, but, overdone as it frequently has been, it has resulted in overselling and overbuying, which are subsequently painfully atoned for by underbuying. Open credit accounts have greatly stimulated distribution by making buying easy but have too often been paid for by enforced suspension of buying later.

Final prices are slow to follow commodity prices. The latter are down

MARKET STATISTICS

	N. Y. Times 40 Bonds	—Dow, Jones Avgs.— 30 Indus.	20 Rails	N. Y. Times —50 Stocks— High	Low	Sales
Monday, December 22	82.20	162.42	95.91	147.32	141.65	2,104,325
Tuesday, December 23	82.08	162.93	96.14	144.34	139.89	2,543,185
Wednesday, December 24	82.24	165.20	96.78	146.29	143.40	1,582,338
Thursday, December 25	HOLIDAY — EXCHANGE CLOSED					
Friday, December 26	82.20	161.18	94.79	145.33	140.44	1,800,600
Saturday, December 27	81.99	160.30	94.62	141.13	139.15	1,394,722
Monday, December 29	81.72	160.16	93.44	141.97	139.47	2,788,820
Tuesday, December 30	82.12	163.09	96.05	145.72	139.38	3,431,115
Wednesday, December 31	82.86	164.58	96.58	146.82	143.56	1,935,330
Thursday, January 1	HOLIDAY — EXCHANGE CLOSED					
Friday, January 2	83.57	169.34	98.63	149.06	142.75	2,031,350
Saturday, January 3	84.21	172.12	100.87	152.06	149.56	1,547,790

20 per cent but the cost of living is off only 6 per cent, as compared with a year ago. The difference dams the channels of distribution.

Distribution sails an uncharted course. Production is well covered by statistics, but little is known about goods after they leave the factory. This year we will have the benefit of the first census of distribution we have ever had. As yet there has been no real co-ordination of industrial statistics, and there has been no attempt worthy of the name generally to budget production and distribution. Production booms on after the distributive system is clogged and curtails only when it is flooded by the backwater of unconsumed goods. This is the condition which must be corrected and to which more thought and planning must be given. We are still weak in the distributive department of modern business science. We are making progress as the remarks of business leaders and the statements of successful companies show us but we have some distance yet to travel before we permanently right the business machine.

The Battle of the East Is Over

(*Continued from page 357*)

that it must have a more direct New York-Buffalo line in order to compete with the Van Sweringens. For giving up its Reading to B. & O., Lackawanna was turned over. In return for Pennsylvania giving up Lehigh Valley, control of which it now owns, to the Cleveland brothers, it is definitely reported that it is to have trackage rights into Buffalo over the Nickel Plate. This, it is claimed, is still an unsettled point and President Hoover may be asked to arrange for arbitrations of it. In most other important respects, the new plan is quite similar to that of the Commission. Seaboard Air Line, however, is left out of consideration altogether, as it naturally belongs with a southern group. D., & H. is to be owned and operated jointly by the four merger systems. Ann Arbor goes to B. & O.

Less than 24 hours after the announcement of accord on the plan, word came from Washington that in the near future application of the North River Bridge Co. would be renewed to build a railway and vehicle bridge under the Hudson River from 57th Street, Manhattan, to the New Jersey shore. It has been understood all along that the bridge company would be supported in its application by B. & O., Reading, Jersey Central and perhaps several other roads and that a big terminal would be built on the New Jersey side. This, with the acquisition of full control of Reading and Jersey Central, which is provided for in the executives' merger plan, would afford B. & O. actual entrance into New York City and place it on a parity in this respect with New York Central and Pennsylvania.

While the Eastern merger plan is pending before the Commission the value of the securities of the principal roads involved must be regarded largely on the basis of their present position and earning power.

It will prove wisest to purchase, or hold, solely on a basis of the independent earning prospects of a road rather than to speculate on what the Commission decision will be. No one knows this outcome definitely any more than any individual is in a position to say just what effect the plan in force would have on combined earnings and dividends. As more information becomes available it will be interpreted in these pages in the light of the securities likely to be most favorably affected. Meanwhile it will be well worth while to watch closely the progress of the plan, for although it is the biggest happening in the railroad industry in many years, it may prove but the forerunner of still larger and potent developments.

Note

Due to the Comprehensive Industrial Survey Contained in this Issue, the Regular Trade Tendencies Feature is Omitted.

COMMODITIES*

(See footnotes for Grades and Units of Measure)

	1930 High	1930 Low	1930 Last
Steel (1)	$34.00	$30.00	$30.00
Pig Iron (2)....	18.50	17.00	17.00
Copper (3)	0.17¾	0.09½	0.10½
Petroleum (4) ..	1.45	0.95	0.95
Coal (5)	1.65	1.40	1.43
Cotton (6)......	0.17½	0.10	0.10
Wheat (7)	1.46½	0.96⅞	0.97⅛
Corn (8)	1.19⅛	0.82½	0.82½
Hogs (9)	11.00	7.75	7.75
Steers (10)	16.50	10.75	13.75
Coffee (11)	0.10¼	0.07	0.07¼
Rubber (12) ...	0.16⅝	0.07⅝	0.08⅜
Wool (13)	0.34	0.28	0.29
Sugar (15)	0.03¾	0.03⅛	0.03⅛
Sugar (16)	0.05¼	0.04¼	0.04½
Paper (17)	0.03⅛	0.03⅛	0.03⅛
Lumber (18) ...	20.33	15.67	16.23

* Dec. 31, 1930.

(1) Billets, rerolling, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per lb.; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, steam mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) 220-240 lb. wts.; (10) Top, Heavies, Chicago, 100 lbs.; (11) Rio No. 7, spot, c. per lb.; (12) First Latex Crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (15) Cuban, 96° duty paid, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. per M.

To Solve Your Personal Investment Problems

THE INVESTMENT MANAGEMENT SERVICE is a supervisory investment service, the purpose of which is to give you the highest yield and greatest appreciation consistent with the safety of your capital. By making itself thoroughly familiar with your holdings and personal obligations, it is able to render a service which meets your particular requirements, and releases you from the effort expended in the research and study necessary to successful investing.

The completeness of our plans is indicated by the following four elements of service which you would receive as a subscriber:—

1. THE MASTER ANALYSIS Immediately upon receipt of your subscription you would be furnished with an initial master analysis of your entire portfolio and of each security in this portfolio. This analysis takes into consideration safety, yield, diversification, and suitability for your particular requirements. When this master analysis is returned to you it would contain recommendations for any changes necessary to bring the list in line with current market situations.

2. MONTHLY REPORTS At monthly intervals you would receive a report pointing out any important changes which have taken place in your holdings, with suggestions as to whether to hold, switch, or close out.

3. MAIL OR WIRE SERVICE As a client of the Investment Management Service your holdings would be recorded in this office. You would not be obliged to consult us. On the contrary, we would advise you continuously as to the position of your holdings—and recommend, by mail or wire, any necessary changes.

4. CONSULTING SERVICE You would receive all the foregoing elements of service regularly. In addition, you would have the privilege of consulting the directors of the service on any of your personal investment problems.

The Investment Management Service is designed particularly for the investor, be his capital large or small, who is seeking income or profit through the important swings of the market. Its cost to you is based entirely upon your individual requirements, the amount of your investment capital, and the number of securities which you are holding. It is therefore necessary for you to send us your list of holdings before we can tell you the cost of the service and its potential value to you.

As the number of new subscribers which we can take on at any one time is limited, we suggest that you mail your list promptly. This action places you under no obligation and has the advantage of bringing you full information on which to base a decision as to the value of this unusual service to you.

We received these comments from *new* subscribers:

Every business man knows that a satisfied customer expresses his feelings much less readily than one who is dissatisfied. Yet the following comments are among those received from a limited number of *new* clients —and there was not a single expression of dissatisfaction.

"I have just received your analysis of my holdings this morning, and wish to thank you for your complete and thorough handling of the entire matter."

"I agree with you entirely, that this service is suited ideally to me, and having decided to get into it, I am going to cooperate 100%. The promptness of your answer and your method of doing business is a credit to you and your organization, I like it and hope you keep it up."

"Your very complete report and analysis of my investments reached me today which I thank you kindly for and assure you that I am well pleased with it."

"Appreciation of your careful analysis grows with further study."

"I want to express my appreciation of the courtesy of your appraisal of my situation so far as disclosed to you and my desires with reference to the future in the matter of my investments. So far as I can see you have from the scant outlines given you, filled in the record completely. Your analysis upon the different stocks, I appreciate, and they meet the approval of my judgment."

"Your letter of the 11th received, together with a careful analysis of my various holdings. I have decided to follow your advice very carefully."

THE INVESTMENT MANAGEMENT SERVICE

A Division of
The Magazine of Wall Street

FORTY-TWO BROADWAY NEW YORK, N. Y.

1-10-31

Investment Management Service
42 Broadway New York, N. Y.

Gentlemen:

I am enclosing herewith my list of holdings. Kindly study this list and tell me, by mail, how your service would help me solve my investment problems. Also send me your booklet and the minimum cost of service on my account. This places me under no obligation.

Name ....

Address ....

City and State ....

My present investment capital, in addition to the securities listed, is approximately $................

Rebuilding Your Principal in 1931 Markets

(*Continued from page 345*)

faster rate some of the losses undoubtedly experienced in recent months. Admittedly the picture appears favorable right now; but haste is ill advised. The fourth quarter corporation reports are a barrier which the bull market of 1931 must successfully hurdle.

The stock market is traditionally supposed to discount adverse or favorable earnings in advance. Undoubtedly it has already discounted the fourth quarter income statements in the case of some companies; but we have yet to see the balance sheets and the change in assets and cash position resulting from one of the most unfortunate business periods since the depression of 1921. These statements are hardly yet available even to the insiders, and certainly not fully reflected in the stock market itself. Facts unknown are often more damaging than the truth, insofar as market behavior is concerned. Such financial statements may be expected to contribute for the next few weeks to any irregularity witnessed in the market's behavior—in fact, they may pave the way for some excellent purchase price levels in selected issues.

For the investor who sold his securities some time ago at higher prices and who is patiently holding his funds in liquid form for reinvestment, the market of 1931, once it has passed its early trials, appears to offer one of the best opportunities in the past five years to build up his capital funds.

And even the investor who has grimly held on to his securities throughout the course of the 1930 bear market; or who failed to resist the allurements of a falling price level, and purchased too soon at what are now being revealed as high prices—even these two groups of investors should find a genuine opportunity to improve their respective positions in 1931. In such cases a clear-cut policy of ruthlessly weeding out all unattractive issues held in portfolios—regardless of original purchase prices—and replacing as the opportunity presents itself with carefully selected, unusually sound issues of ably managed companies in a position to react favorably to the first stages of business recovery—such a policy is of prime importance, if 1931 is to prove a year of material improvement from their present unfortunate position.

The railroad merger announcement, the lowering of the N. Y. rediscount rate, the drastic deflation in both security and commodity market prices, and the extensive progress already registered in the below-normal area of the business cycle — all are basic materials with which any improvement in the security markets can be constructed. There may, and doubtless will be, a testing period in the weeks immediately ahead before the market is firmly enough grounded in the really improving prospect for business in 1931 to definitely begin its advance. Therefore haste is inadvisable, but opportunity beckons none the less confidently and ample reward awaits those who prudently heed the call.

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$3.00	Alliance Realty Co.	$0.75	Q	1-10	1-23
6.00	Allied Chem. & Dye Cp.	1.50	Q	1-15	2-2
4.20	Amer. Home Products	.35	M	1-14	2-2
5.00	Amer. Shipbuilding	1.25	Q	1-15	2-1
2.50	Anaconda Cop. M. Co.	.62½	Q	1-10	2-16
1.00	Anaconda Wire & Cable Co.	.25	Q	1-10	2-9
1.00	Andes Copper Min'g Co.	.25	Q	1-10	2-9
7.00	Baltimore & Ohio R. R.	1.75	Q	1-17	3-2
6.00	Bethlehem Steel Corp.	1.50	Q	1-19	2-16
1.50	Briggs Mfg.	.37½	Q	1-10	1-26
3.00	Chicago Yellow Cab Co.	.25	M	1-20	2-2
.30	Cities Service Co.	.02½	M	1-15	2-2
Stk	Cities Service Co.	½%	M	1-15	2-2
5.00	Crucible Steel of Amer.	1.25	Q	1-15	1-31
6.00	Du Pont (E. I.) de Nemours deb.	1.50	Q	1-10	1-24
2.50	Gold Dust Corp.	.62½	Q	1-10	2-2
4.00	Liquid Carbonic Corp.	1.00	Q	1-20	1-31
7.00	Louisv. & Nashv. R. R.	3.50	SA	1-15	2-10
6.00	Pittsb. & W. Va. Ry.	1.50	Q	1-15	1-31
4.00	Reading Co.	1.00	Q	1-15	2-12
2.00	Southern Calif. Edison.	.50	Q	1-20	2-15
6.00	U. S. Industrial Alcohol	1.50	Q	1-15	2-2
3.00	Wrigley (Wm.), Jr.	.25	M	1-20	2-2

BUILDING AND LOAN ASSOCIATIONS

We will be glad to answer questions regarding Building and Loan Associations, provided that the information available on the association under consideration is sufficiently complete to warrent an opinion. Address, Building & Loan Ass'n Department c/o The Magazine of Wall Street, 42 Broadway, New York City.

Missouri

Texas

Tennessee

Missouri

New York

Florida

Texas

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses of the highest standard. They will be sent free upon request, direct from the issuing houses.

PLEASE ASK FOR THEM IN NUMERICAL ORDER

We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing to investors their booklet "Odd Lot Trading," which explains the many advantages diversification offers to both large and small investors. (225).

"THE FRENCH PLAN"
Mr. Fred F. French, one of the foremost real estate authorities, has explained the operation of the French Plan in this interesting book. Full-page illustrations of the French Company properties are also shown. Send today for your copy. (643).

PRUDENCE-BONDS FOR PRUDENT PEOPLE
A brief description of how Prudence-Bonds are secured by conservative first mortgages on income producing properties and guaranteed by over $16,500,000 of the Prudence Company's capital, surplus and reserves. Its message is short, but its benefits are long. Ask for 691.

PARTIAL PAYMENT PLAN
An old established New York Stock Exchange house invites the purchase of high grade listed securities on monthly time payments. Descriptive booklet of plan sent on request. (813).

EXPERT COUNSEL IN SECURING GREATEST POSSIBLE PROFITS CONSISTENT WITH SAFETY
This is the primary purpose of the Investment Management Service, a Division of The Magazine of Wall Street. It is a strictly personal investment advisory service especially designed to meet each client's individual requirements. Write for complete information. No obligation. (830D).

UTILITIES POWER & LIGHT CORPORATION
An illustrated survey of the Corporation's properties has been prepared and will be mailed to you upon request without charge. This Corporation is one of the large number of great American corporations that have had better business years in 1930 than in 1929. (839).

"TRAINING FOR BUSINESS LEADERSHIP"
You owe it to yourself to find out how the Babson Institute may provide a direct route to business achievement for you. Learn more about the intensive nine months' business course by sending for your copy gratis of "Training For Business Leadership." (851).

STANDARD CHAIN STORE STOCKS
Merrill, Lynch & Co. is distributing a review pointing out the investment features of Standard Chain Store Stocks, which will be forwarded to you without obligation upon request. (852).

THE LEHMAN CORPORATION
A copy of the latest report as of December 31, 1930, containing a balance sheet as of that date, a statement of income and profit and loss account, and a list of holdings may be obtained upon request. (853).

"NATIONAL STOCK ANALYSIS"
Issued monthly by Paul H. Davis & Co., members New York Stock Exchange, gives you the latest information on stocks listed on the principal exchanges. Shows not only price, yield, times-earned, high, low by month and year, but also dividend record, latest earnings, capital structure, industrial survey and charts. Ask for your free copy. (854).

Financial Notices

Dividends and Interest

SOUTHERN RAILWAY COMPANY

New York, December 11, 1930.

COMMON STOCK

A dividend of five and sixty-five hundredths per cent (5.65%) on the Common Stock of Southern Railway Company has today been declared, out of the surplus of net profits of the Company for the fiscal year 1929, payable as follows:

Two per cent. (2%) on February 2, 1931, to stockholders of record at the close of business on January 2, 1931;

Two per cent. (2%) on May 1, 1931, to stockholders of record at the close of business on April 1, 1931;

One and sixty-five hundredths per cent. (1.65%) on August 1, 1931, to stockholders of record at the close of business on July 1, 1931.

PREFERRED STOCK

A dividend of one and one-quarter per cent. (1¼%) on the Preferred Stock of Southern Railway Company has today been declared, out of the net profits of the Company for the fiscal year 1930, payable on January 15, 1931, to stockholders of record at the close of business on December 26, 1930.

Cheques in payment of these dividends will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.

C. E. A. McCARTHY, Secretary.

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 60

A regular quarterly cash dividend for the three months' period ending December 31, 1930, equal to 2% of its par value (being at the rate of 8% per annum), will be paid upon the Common Capital Stock of this Company by check on January 15, 1931, to shareholders of record at the close of business on December 31, 1930. The Transfer Books will not be closed.

D. H. FOOTE, *Secretary-Treasurer*

San Francisco, California.

JULIUS KAYSER & CO.

A dividend of Sixty-two and one-half cents (62½c) per share upon the shares of the no par value common stock of Julius Kayser & Co., issued and outstanding, has been declared payable February 1, 1931, to the holders of record of such stock at the close of business January 15, 1931.

Dividend checks will be forwarded by The Bank of America National Association, Agent for the Voting Trustees, with respect to shares held under the Voting Trust, and by Guaranty Trust Company of New York with respect to shares not so held.

CHARLES J. HARDY, Secretary.

BAYUK CIGARS INC.

PHILADELPHIA

A quarterly dividend of 1¾% on the First Preferred stock of this corporation was declared payable January 15, 1931, to stockholders of record December 31, 1930. A dividend of 75¢ per share on the Common stock of this corporation was declared payable January 15, 1931, to stockholders of record December 31, 1930. Checks will be mailed.

John O. Davis, *Secretary*

December 19, 1930.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

165th Dividend

THE regular quarterly dividend of Two Dollars and Twenty-Five Cents ($2.25) per share will be paid on January 15, 1931, to stockholders of record at the close of business on December 20, 1930.

H. BLAIR-SMITH, Treasurer.

Dividends and Interest

Middle West Utilities Company

Notice of Dividend on Common Stock

The Board of Directors of Middle West Utilities Company has declared a quarterly dividend of 2% in Common Stock (being one-fiftieth of a share) on each share of Common Stock outstanding on January 15, 1931, payable February 16, 1931, to Common stockholders of record on the Company's books at the close of business at 5:00 o'clock P.M. on January 15, 1931.

EUSTACE J. KNIGHT, *Secretary*

Notice of Dividend on $6 Convertible Preferred Stock, Series A

The Board of Directors of Middle West Utilities Company has declared on each share of its $6 Convertible Preferred Stock, Series A, a quarterly dividend of $1.50 in cash or (at the election of the holder, filed on or before January 15) of three-eightieths of a share of Common Stock, payable February 16, 1931, to the holders of record on the Company's books at the close of business on January 15, 1931.

EUSTACE J. KNIGHT, *Secretary*

GENERAL MILLS, INC.

COMMON STOCK DIVIDEND

January 2, 1931

Directors of General Mills, Inc., announce declaration of regular quarterly dividend of seventy-five cents per share upon common stock of company payable February 2nd, 1931, to all common stockholders of record at close of business January 15th, 1931. Checks will be mailed, transfer books will not be closed.

(Signed) DONALD D. DAVIS, Vice-President and Treasurer.

Eventually GOLD MEDAL FLOUR why not now?

The Baltimore & Ohio Railroad Co.

OFFICE OF THE SECRETARY

Baltimore, Md., December 17, 1930.

The Board of Directors this day declared, for the three months ending December 31, 1930, a dividend of one (1) per cent. on the Preferred stock of the Company.

The Board also declared a dividend of one and three-quarters (1¾) per cent. on the Common stock of the Company.

Both dividends are payable March 2, 1931, to Stockholders of record at the close of business on January 17, 1931.

The transfer books will not close.

G. F. MAY, Secretary.

Dividends and Interest

Peoples Gas Dividend

The Peoples Gas Light and Coke Company (of Chicago)

The Directors of The Peoples Gas Light and Coke Company have declared a quarterly dividend of two (2) per cent on the capital stock of this Company, being at the rate of eight (8) per cent per annum, payable out of the surplus earnings of the Company to stockholders of record at the close of business on the 3rd day of January, 1931, said dividend to be payable on the 17th day of January, 1931.

A. L. TOSSELL, Secretary.

Florida | Florida | Georgia

North Carolina

HOW TO RECOGNIZE A GOOD UTILITY BOND

No. 7 of a series of advertisements

The Tree Continues to Grow

ASSETS and earnings are usually the first consideration of the bond investor. But equally important, if not more important, is the assurance of continued earnings in the future.

The surest evidence of continued earnings is the steady and substantial growth in the past—and the visible evidence of continued usefulness and growth in the future.

There has never been a year in the electric light and power industry which has shown a decline in earnings. And yet to-day after 40 years of growth the average home uses only one-quarter of the electric current it could use to advantage—and 35% of industry is still without central station service. Highway lighting, growth in airports and airways, and electrification of farms will further contribute to the expanding use of electricity.

The gas industry, with a production greater during the last ten years than during all the previous 110 years of the industry, is constantly developing new outlets for gas consumption. House heating is in its infancy. Refrigeration, automatic water heating and incineration are outstanding opportunities for building up gas load. It is estimated that gas plants are carrying less than 10% of the industrial load available.

27,385 new investors in 1930—growth to a total of 217,524 during a period marked by investment hesitancy—gauges the public appreciation of the future earning possibilities of the Associated System. On an "overall" basis, Associated Gas and Electric Company earnings after depreciation are 2.13 times bond interest requirements compared with an average of 1.89 times for the bonds of 20 other leading utilities as a group.

The high investment merit of Associated Gas and Electric Company Debenture bonds is convincingly demonstrated by our analysis based on tests such as are used by banks, insurance companies and investment banking houses for determining the value of public utility bonds.

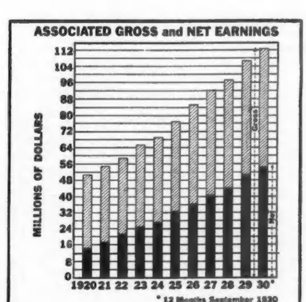

Chart covers same properties entire period

A copy of this analysis, consisting of 10 plate charts with complete explanation may be obtained by writing for Folder A4.

General Utility Securities

Incorporated

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Companionship

To THE cosy intimacy of the firelight hour, Camel adds a perfect companionship. It is the smoke one might dream of, fragrant and mellow, mild and altogether delightful.

The mildness of Camel is a natural mildness, from the blending of choicest sun-ripened tobaccos—never over-treated, never flat or insipid.

CAMELS

MILD—Not flat

Tobacco
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